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Description of document: AbilityOne Commission* records:
Commission Compliance Manual
Commission Meeting Minutes for meetings during CY
2014 and CY 2015
Congressional Budget Justification for the Commission
for FY2016

Requested date: 29-February-2016

Released date: 25-March-2016

Posted date: 30-May-2016

* AbilityOne Commission is the operational name of the
Committee for Purchase From People Who Are Blind or
Severely Disabled

Source of document: FOIA Request
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U.S. ABILITYONE COMMISSION

703-603-7740
FAX 703-603-0655

1401 S. Clark Street, Suite 10800
Arlington, Virginia 22202

March 25, 2016

Reference: FOI-2016-1005

I am writing in response to your Freedom of Information Act (FOIA) requests to the U.S. AbilityOne Commission – the operational name of the Committee for Purchase From People Who Are Blind or Severely Disabled (Committee). Four (4) of your requests were dated February 29, 2016 and one (1) request was dated March 1, 2016. We have complied all requests into this response for ease of handling.

Your specific requests were as follows:

- (1) "request a copy of the Compliance Manual";
- (2) "request a copy of the Meeting Minutes for meetings of the U.S. AbilityOne Commission during Calendar Years 2014 and 2015";
- (3) "request a copy of the Congressional Budget Justification for the U.S. AbilityOne Commission for FY2016";
- (4) "request a copy of the FY 2014 Performance And Accountability Report, the FY 2015 Performance and Accountability Report";
- (5) "request a copy of the Congressional Correspondence Log maintained in the U.S. AbilityOne Commission."

A review of records retained by the Committee has resulted in the following determinations (noted in **bold**) of each numbered request listed above:

- (1) ***The responsive document maintained by the Committee is included.***
- (2) ***The responsive documents maintained by the Committee are included.***



COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED
An Independent Federal Agency



(3) The responsive document maintained by the Committee is included.

(4) There is no FY2014 Performance and Accountability Report. Instead, the Committee prepared an FY 2014 Annual Financial Report which is included. The FY2015 Performance and Accountability Report maintained by the Committee is included.

(5) There are no responsive documents maintained by the Committee.

FOIA does not require agencies to answer questions or interrogatories; analyze and/or interpret documents for a requestor; create records; conduct research; initiate investigations; or provide statutes, regulations, publications or other documents that are otherwise made available to the public.

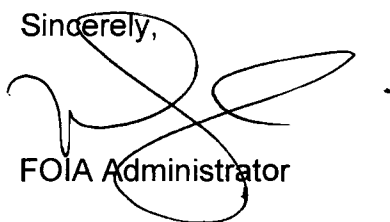
In accordance with our regulation, 41 CFR 51-8.14(b), we have waived the fee to process your FOIA request. The reference number for this request is FOI-2016-1005. Please include this number in any future correspondence related to this request.

You have the right to appeal this response if you consider it to be a denial of your FOIA request (41 CFR 51-8.10). An appeal to the Committee Chairperson may be made by submission of a written request for reconsideration. Such requests shall state the specific reasons for reconsideration that addresses directly the ground upon which the denial was based and must be received at the Commission office within 30 calendar days of your receipt of this letter.

If you have any questions regarding this response, you may contact Timi Kenealy at (703) 603-7740 or tkenealy@abilityone.gov.

Inasmuch as this constitutes a final response regarding your requests for records from the U.S. AbilityOne Commission; this request is now closed.

Sincerely,



FOIA Administrator



U.S. ABILITYONE COMMISSION

FISCAL YEAR 2015 PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)



*Established as the
Committee for Purchase From People Who Are Blind or Severely Disabled
under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506)*

The U.S. AbilityOne Commission administers the AbilityOne Program.



TABLE OF CONTENTS

Section 1: Agency and Mission Information	2
1.1 Overview	2
1.2 Mission Statement	3
1.3 Vision Statement	3
1.4 Organizational Structure.....	3
1.5 Commission Members.....	5
1.6 Commission Staff Organization	6
1.7 Commission Meetings.....	6
1.8 Scope of Responsibilities	7
Section 2: Performance – Strategic Goals, Objectives, Updates, Next Steps.....	8
2.1 Strategic Goals Overview.....	8
2.2 Effective Stewardship.....	9
2.3 Employee and Customer Satisfaction.....	11
2.4 Employment Growth	14
2.5 Business Excellence	16
Section 3: Other Information	19
3.1 Major Management Priorities, Challenges and Risks	19
3.2 Cross-Agency Collaborations.....	19
3.3 Evidence Building (Research and Evaluation).....	20
3.4 Data Validation and Verification	21
3.5 Lower Priority Program Activities	21
Section 4: Financial Information Including Audit Report	22

Section 1: Overview

1.1. Overview

The U.S. AbilityOne Commission (hereafter Commission) is an independent Executive Branch entity that was established as the Committee for Purchase From People Who Are Blind or Severely Disabled under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506.) The statute authorizes the Commission to guide and oversee an employment program for people who are blind or have other significant disabilities, known as the AbilityOne Program. The program currently provides job opportunities to more than 45,000 Americans in this underserved segment of the nation's population. Through AbilityOne employment, these individuals are often able to reduce their dependence on disability benefits programs and to join the ranks of taxpayers. At the same time, Federal agency customers of the AbilityOne Program receive quality products and services, on time and at reasonable prices.

While jobs and economic security remain among the nation's highest domestic priorities, people who are blind or have other significant disabilities typically face the most barriers to full employment. The employment rate for working age Americans with disabilities was only 30 percent for the 2014 calendar year, and across all ages and education levels, individuals with disabilities have a higher rate of unemployment¹. The Administration's commitment to empower people with disabilities emphasizes greater workforce participation, and the Commission's implementation of the AbilityOne Program mission makes significant contributions toward this goal. The Commission actively promotes the capabilities of people who are blind or significantly disabled, and directly generates and sustains employment by placing Government requirements for products and services to the AbilityOne Procurement List.

The AbilityOne Program's national network of participating nonprofit agencies is among the largest sources of employment for Americans who are blind or who have significant disabilities. These individuals work on AbilityOne projects in all 50 states, Puerto Rico and Guam, gaining experience, earning income and receiving tangible benefits. The AbilityOne Program is expanding opportunities for wounded warriors and other veterans with significant disabilities by developing jobs that leverage veterans' skill sets and enable them to live in the communities they call home. At the same time, the AbilityOne Program's Quality Work Environment (QWE) initiative is enhancing the overall nature of AbilityOne employment – promoting opportunities for our employees to do the work of their choice, with flexibilities and supports, at competitive wages, with access to training and services, and a clearly articulated career ladder.

The AbilityOne Program's delivery of employment opportunities, as well as quality products and services at fair market prices, is built on a foundation and spirit of performance, accountability and transparency. The Commission respectfully submits this FY 2015 Performance and Accountability Report (PAR) in accordance with OMB Circular A-11 Part 6 Section 210 (July 2015).

¹ U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Persons with a Disability: Labor Force Characteristics, and Table A., June 16, 2015 [retrieved November 9, 2015].

1.2. Mission Statement

The U.S. AbilityOne Commission and the AbilityOne Program create employment opportunities for people who are blind or who have other significant disabilities in the manufacture and delivery of products and services to the Federal Government.

1.3. Vision Statement

The vision of the AbilityOne Program is:

The AbilityOne Program enables people who are blind or have other significant disabilities to achieve their maximum employment potential.

This vision will be realized when:

- ♦ Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- ♦ Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate to his or her geographic locality.
- ♦ AbilityOne employees are provided the training and development they need to be successful in their current positions, and ultimately achieve their maximum employment potential.
- ♦ Every AbilityOne employee is provided the opportunity, with or without accommodations, to advance to his or her maximum employment potential, including internal or external competitive placement or management and administrative positions.
- ♦ All AbilityOne products and services provide best value to Federal customers, thus earning their continued support and loyalty.

1.4. Organizational Structure

The Commission is comprised of 15 Presidential appointees by law, and had a full-time staff of 25 at the end of FY 2015. In accordance with the enabling legislation, a unique public-private structure is in place to administer and support the AbilityOne Program. The Act directs the Commission to designate one or more central nonprofit agencies (CNAs) to assist it in implementing the AbilityOne Program. The Commission has designated National Industries for the Blind (NIB) and SourceAmerica (serving people with a wide range of significant disabilities) to fulfill this role. NIB and SourceAmerica assist approx. 565 private not-for-profit agencies and/or State agencies that participate in the AbilityOne Program; they also provide support to the AbilityOne Program's Federal customers. The nonprofit agencies deliver quality supplies and services to Federal customers, thereby creating employment for the target population.

The AbilityOne Program organization structure is illustrated below.



Figure 1. AbilityOne Program Fiscal Year 2015 Organizational Structure.

The President appoints 15 members to the U.S. AbilityOne Commission, who provide oversight and guidance to the Agency and make determinations about products and services suitable for the Procurement List. Eleven of the members are appointed to represent Federal agencies, while four members are private citizens representing the employment concerns of people who are blind or who have other significant disabilities. This diversity in membership ensures that the Commission is able to consider and balance the employment needs of people who are blind or significantly disabled with the procurement needs of the Federal Government.

In FY 2015, the Commission elected James M. Kesteloot, a private citizen from Chicago, Illinois, representing the employment concerns of nonprofit agency employees who are blind, to serve as its Chairperson. Mr. Kesteloot succeeded J. Anthony Poleo, who continues to represent the Department of Defense. The Commission elected Lisa M. Wilusz, who represents the Department of Agriculture, to serve as Vice Chairperson. A full list of Presidential appointees serving on the U.S. AbilityOne Commission at the end of FY 2015 follows.

1.5. U.S. AbilityOne Commission Members as of September 30, 2015

James M. Kesteloot, *Chairperson*

Private Citizen Representing Nonprofit Agency Employees who are Blind

Lisa M. Wilusz, *Vice Chairperson*

Director of the Office of Procurement and Property Management

U.S. Department of Agriculture

Perry E. Anthony, Ph.D.

Deputy Commissioner, Rehabilitation Services Administration

U.S. Department of Education

Jan R. Frye

Deputy Assistant Secretary, Office of Acquisition & Logistics

U.S. Department of Veterans Affairs

Harry P. Hallock

Deputy Assistant Secretary of the Army – Procurement

U.S. Department of the Army

Robert T. Kelly, Jr.

Private Citizen Representing Employment Concerns of People with Significant Disabilities

Anil Lewis

Private Citizen Representing Employment Concerns of People who are Blind

Karen J. McCulloh

Private Citizen Representing Nonprofit Agency Employees with Significant Disabilities

J. Anthony Poleo

Director, DLA Finance/CFO

Defense Logistics Agency

Thomas D. Robinson

Associate Deputy Assistant Secretary (Contracting)

U.S. Department of the Air Force

William A. Sisk

Assistant Commissioner, Federal Acquisition Service

U.S. General Services Administration

Virna L. Winters

Director for Acquisition Policy and Oversight, Office of Acquisition Management

Department of Commerce

RADM Jonathan A. Yuen
Commander, Naval Supply Systems Command
U.S. Department of the Navy

The Commission had two vacant positions at the end of FY 2015, the *U.S. Department of Justice* and the *U.S. Department of Labor* positions.

1.6. U.S. AbilityOne Commission Staff as of September 30, 2015

A career member of the Senior Executive Service serves as the Commission's chief executive officer and leads the full-time civil service staff in carrying out strategic as well as routine business of the Agency. The staff handles all day-to-day AbilityOne-related business and prepares the information required by the Commission appointees for decision making. There were 25 FTEs on staff at the end of FY 2015; senior leaders are listed below.

Executive Team:

Tina Ballard, Executive Director
Kimberly M. Zeich, Deputy Executive Director
Kermit C. Jones, Chief of Staff
Timi Nickerson Kenealy, General Counsel

Compliance Senior Leaders:

Louis R. Bartalot, Director, Compliance
Amy B. Jensen, Deputy Director, Compliance

Information Technology:

Edward Yang, Chief Information Officer

Operations Senior Leaders:

Barry S. Lineback, Director, Business Operations
Patricia Briscoe, Deputy Director, Operations (Pricing and Information Management)

Policy and Programs Senior Leaders:

Nancy K. Myrick, Director, Policy & Programs
George Selby, Director, Communications

1.7. Commission Meetings

The Commission held five official, public meetings during FY 2015, as follows:

October 8, 2014

March 11, 2015

May 6, 2015

July 8, 2015

September 28, 2015

1.7. Scope of Responsibilities

In accordance with the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506), the Commission is responsible for administering a national employment program known as the AbilityOne Program, for people who are blind or who have other significant disabilities. The Commission leverages the purchasing power of the Federal Government, by directing the procurement of products and services that employ such persons. Over 45,000 individuals who are blind or significantly disabled have achieved employment through the AbilityOne Program, at approx. 565 community-based nonprofit agencies nationwide. These individuals worked more than 44 million hours in 2014, and earned nearly \$560 million, plus fringe benefits.

Among the major statutory functions carried out by the Commission are:

- Establishing rules, regulations and policies to assure effective implementation and oversight of the JWOD Act and the AbilityOne Program it authorizes.
- Increasing employment opportunities for people who are blind or have other significant disabilities – quite simply, job creation.
- Determining which products and services are suitable for provision by nonprofit agencies employing people who are blind or have other severe disabilities, and placing them on the AbilityOne Procurement List for Federal agencies' utilization.
- Determining fair market prices for the products and services delivered by the AbilityOne Program, and revising prices over time in accordance with changing market conditions.
- Monitoring participating nonprofit agencies' compliance with the JWOD Act, applicable regulations and procedures.
- Assisting Federal agencies to expand procurement from nonprofit agencies participating in the AbilityOne Program, and monitoring the compliance of both with Commission regulations and procedures.
- Designating and providing guidance to Central Nonprofit Agencies (CNAs) that facilitate nonprofit agencies' participation in the AbilityOne Program.
- Conducting continuing study and evaluation of mission execution to ensure effective and efficient administration of the Act.

Section 2: Performance -- Strategic Goals, Objectives and Indicators

2.1. Strategic Goal Overview

Broad strategic goals were established by the Commission and key AbilityOne Program stakeholders for the performance period FY 2010 – 2014, and were retained for the performance period FY 2014 – FY 2017. These goals pertain to all participants in the AbilityOne Program and are the cornerstones supporting mission execution and performance excellence. While the Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan, the Central Nonprofit Agencies (CNAs) and AbilityOne participating nonprofit agencies are critical partners in achievement of the strategic goals.

Goal 1. Effective Stewardship

The Commission has the ultimate responsibility for the integrity, effectiveness and overall stewardship of the AbilityOne Program. Stewardship encompasses several oversight responsibilities related to monitoring and achieving compliance with statutory, regulatory and other requirements by all nonprofit agencies participating in the AbilityOne Program. Stewardship also means demonstrating leadership in promoting the AbilityOne mission across the Federal Government.

Goal 2. Employee and Customer Satisfaction

To truly empower an individual, employment must provide personal satisfaction as well as income. The AbilityOne Program has progressively pursued employee satisfaction, mainly through its Quality Work Environment (QWE) initiative, and has measured its results. While employee satisfaction is vital in its own right, it is also a driver of the second and equally important facet of this goal -- customer satisfaction. Ensuring excellent customer service earns the loyalty and support of Federal customers, and is equally important to fulfilling the employment mission of the AbilityOne Program.

Goal 3. Employment Growth

Employment growth is the most direct and critical goal in accomplishment of the AbilityOne mission. While the AbilityOne Program currently provides employment to more than 45,000 individuals, there are millions of Americans who are blind or significantly disabled that are currently unemployed or underemployed, who could benefit from the AbilityOne Program. Thus, it is critical to grow a wide variety of job opportunities by expanding existing products and lines of business, and by developing new markets in which our target population desires to work and receive training.

Goal 4. Business Excellence

As the Agency responsible for the effective administration of the AbilityOne Program, the Commission must execute several business processes directly linked to key stakeholders and

the employment mission. Three primary business processes that require attention, resources and coordination across agencies are (1) the Procurement List (PL) addition end-to-end process, (2) the fair market pricing (FMP) end-to-end process, and (3) Central Nonprofit Agency (CNA) fee ceiling determination and utilization.

2.2. Effective Stewardship Strategic Goal

The Commission is the Federal agency with oversight responsibility for the implementation of the JWOD Act and the AbilityOne Program. To provide effective stewardship, the Commission works to ensure the integrity of the AbilityOne Program by establishing and implementing a standard of 100% full compliance for the nonprofit agencies participating in the AbilityOne Program. The Commission requires and monitors corrective action by nonprofit agencies that are found noncompliant with the statutory or regulatory requirements.

Strategic Objective 2.2.1.

One hundred percent (100%) of AbilityOne-participating nonprofit agencies are in full compliance with all statutory and regulatory requirements.

The Commission expects all AbilityOne nonprofit agencies to comply with the statutory and regulatory requirements in order to maintain their qualification and eligibility to participate in the Program. There is no acceptable level of noncompliance; however, AbilityOne participants are afforded the opportunity to remediate deficiencies. The consequences of noncompliance include nonprofit agencies being required to make in-person reports to the Commission; nonprofit agencies being placed on probation; suspension from consideration for AbilityOne work opportunities and/or removal of eligibility to participate in the Program. Determining nonprofit agency compliance is an inherently governmental duty that is performed solely by the Commission through on-site audits and agencies' annual reports containing certified data. The CNAs are responsible for providing education, regulatory assistance, monitoring and reporting.

The first measure of this objective has a very clear performance indicator, which is the number and percentage of nonprofit agencies found in compliance with the statutory requirement to have 75 percent or more of all direct labor hours performed by people who are blind or significantly disabled. Compliance with this requirement is based on a nonprofit agency's cumulative data for the fiscal year, which is certified and reported to the appropriate CNA before it is submitted to the Commission. The most recent year-end data available is from FY 2014 and shows that 541 out of 565 nonprofit agencies were in compliance with statutory or regulatory requirements. This represents 95.75% of the total nonprofit agencies participating in the program.

	FY 2010 Results	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Results
Nonprofits in Compliance	592/602	582/606	575/598	552/579	541/565
Percentage (Target 100%)	98.3%	96.04%	96.15%	95.34%	95.75%

Table 1. Five-year results for AbilityOne nonprofit agency compliance.

The Commission analyzed the reasons for the nonprofit agencies' failure to meet ratio compliance in FY 2014, and found that the most frequent occurrences were:

- The nonprofit agencies were unable to reach the necessary staffing level of persons with significant disabilities, due to a shortfall in recruiting or referrals;
- The nonprofit agencies' commercial or State-use (non-AbilityOne) contracts accrued too many direct labor hours by persons who were not blind or significantly disabled;
- There was a sudden surge or sudden loss of work on Government (AbilityOne) contracts, affecting the nonprofit agency's ability to meet the required direct labor hour ratio;
- The nonprofit agencies' management did not understand the AbilityOne requirements.

This analysis is used to develop educational and compliance review priorities for the next year. The Commission also monitored the percentage of deficiencies corrected either during or after compliance reviews. With the exception of nonprofit agencies that withdrew from the Program, the Commission required all nonprofit agencies that were out of compliance to submit corrective action plans, which were reviewed by the compliance staff to ensure adequacy, then monitored on a quarterly basis. A total of eight nonprofit agencies were required to appear before the Commission during FY 2014 and FY 2015, to explain the circumstances that resulted in their noncompliance, and to explain how they will achieve full compliance. While the majority either completed or were in the process of completing corrective action, one nonprofit agency was removed from the AbilityOne Program for uncorrected noncompliance in FY 2015.

Strategic Objective 2.2.2.

Completion of 120 on-site compliance reviews per year, resulting in 100% of all nonprofit agencies receiving an on-site review over a five-year cycle.

The second performance indicator speaks to the Commission's reach and the reliability of the Commission's review findings. The Commission completed 420 compliance reviews from FY 2010 to 2014, reaching 75% of all AbilityOne nonprofit agencies. During FY 2015, another 74 compliance reviews were made by the Commission. While the aggregate is a high proportion of all AbilityOne agencies, and includes reviews of all of the largest ("top ten") nonprofit agencies in the program since the beginning of 2010, it is short of the target for 100% to be reviewed within the last five years or 120 reviews per year. Delays in funding and modest funding reductions allowed fewer on-site compliance reviews to be made in 2014 and 2015. However, during this period, the Commission continued to thoroughly review all participating nonprofit agencies' annual certifications, and utilized virtual review methods to the maximum extent possible.

Focused communication and preventative measures are being implemented to continually minimize or eliminate noncompliance. The Commission staff provided both in-person and virtual trainings during FY 2014 and FY 2015, to increase nonprofit agencies' awareness and understanding of the requirements that must be met to achieve full compliance. Additionally, the staff is developing a self-review system that nonprofit agencies may use to educate themselves, test their levels of compliance and make improvements before their next official Commission compliance review.

In October 2015, the Commission launched a new, more robust form of nonprofit agency certification: Annual Representations and Certifications (“Reps and Certs”). The Annual Reps and Certs increase the Commission’s visibility into additional regulatory and contract compliance areas, and require nonprofit agencies to explain any deviations in writing. The entire Reps and Certs document must be signed by the nonprofit agency’s CEO and Board Chairperson; the False Claims Act is applicable and will be enforced. The Commission conducted training via webinars for several months to ensure nonprofit agencies’ understanding of and proper use of the Reps and Certs forms. Commission compliance staff will make training presentations and focus on the Reps and Certs as a key compliance tool going forward.

2.3. Employee and Customer Satisfaction

In 2010, the Commission made a unanimous policy declaration that the AbilityOne Program is an employment program first and foremost, which accomplishes its mission through the Federal procurement system. Accordingly, the AbilityOne Strategic Plan reflects a core goal to achieve AbilityOne employee satisfaction alongside Federal customer satisfaction. Employee satisfaction demonstrates that the quality of AbilityOne employment is as important to the Commission as the quantity of AbilityOne jobs created and sustained. As many studies have shown that employee satisfaction is a prerequisite to providing outstanding customer service, the two facets of this goal are, in fact, reciprocal and reinforce each other. Enhancing employee satisfaction in turn enhances customer satisfaction, which in turn leads to additional employment opportunities for the AbilityOne Program.

Strategic Objective 2.3.1.

Increase and sustain AbilityOne employee satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.

The Commission and its Central Nonprofit Agencies (CNAs) began with the baseline employee satisfaction level established in 2010, showing an overall AbilityOne Program employee satisfaction rating of **85%**, compared to the 68% industry benchmark level². The AbilityOne Program’s Quality Work Environment (QWE) initiative (discussed below) was designed and launched in 2010 to enhance the experience and satisfaction of program employees. In 2013, employee satisfaction was again measured, with AbilityOne participants reporting an increased level of overall job satisfaction level, up to **86.5%**, compared to the U.S. National Norm³ of 70%. The next triennial survey of AbilityOne employees is scheduled to take place in 2016.

² Source: A random sample of 1,773 AbilityOne employees with significant disabilities and a census survey of 1,262 AbilityOne employees who are blind or visually impaired were asked a combination of satisfaction questions with the results combined and appropriately weighted. The benchmark industry percentage is a weighted average of Towers Watson employee survey results from the cross-section of industry sectors in the U.S., weighted by size and industry using current Census data.

³ As with the 2010 survey, industry norm data was supplied by Towers Watson, a professional services company that conducts employee research and helps organizations improve performance.

The QWE initiative focuses on four key areas that correlate with AbilityOne employee satisfaction: (1) increasing wages through increased productivity, (2) providing navigation to supports, services and training, (3) articulating a defined career ladder for employees, and defining steps to climb the ladder, and (4) ensuring an integrated, engaging workplace culture. Nonprofit agencies that adopt the QWE initiative first conduct self-assessments using the AbilityOne standardized survey, create and implement action plans, and periodically report progress to their Central Nonprofit Agencies. Several best practices disseminated through the QWE initiative correlate positively with elements of job satisfaction most desired by AbilityOne employees, including employee involvement, training and development, and employee benefits.

In addition to its formal objective to increase the level of employee satisfaction, the Commission established a target for full participation in the QWE initiative across the AbilityOne Program. The target has evolved from a percentage of nonprofit agencies participating in QWE to the percentage of AbilityOne employees participating in QWE. This is a voluntary program, and has reached critical mass with 84% of AbilityOne employees working in nonprofit agencies that have adopted the QWE initiative by the end of FY 2015. The previous target of 100% of employees covered by QWE by the end of calendar year 2015 must be extended. The Program's nonprofit agencies vary widely in size, from three employees to several hundred, thus the priority enrollment efforts were focused on the largest nonprofits first. Many of the smaller nonprofit agencies must still be engaged. The recent economic downturn caused some nonprofit agencies to experience financial challenges, further delaying their participation in the QWE initiative.

The following table shows the QWE participation scorecard as of June 30, 2015 and shows the percentage increases realized since the end of FY 2014.

	AbilityOne Employees 9/30/2014	AbilityOne Employees 6/30/2015	Increase in Employees Covered 2013 vs. 2012
Completed Self-Assessment	74%	84%	13.5%
Developed Action Plan	68%	76%	11.8%
Implementing Action Plan	65%	76%	16.9%
Completed 1 st Round/ Working 2 nd or 3 rd Round	29%	33%	13.8%

Table 2. AbilityOne QWE Participation through June 30, 2015

The accomplishments during the past year indicate continued focus on the QWE participation target, despite the resources and support necessary to implement the QWE best practices being scarcer in the austere budget environment. The Commission continues to expect full (100%) participation in QWE in the future, and will extend the timeline for achievement. While voluntary adoptions remains the preferred approach and current strategy, the Commission may consider proposing regulatory changes that would require QWE participation in the future for nonprofit agencies to obtain the Federal contracting opportunities and other benefits of AbilityOne Program. The Commission will evaluate the participation levels and results during FY 2016 and determine whether a change in approach is necessary.

Strategic Objective 2.3.2.

Increase and sustain AbilityOne Federal customer satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.

The AbilityOne Program has used a variety of methodologies to gather Federal customer feedback from different segments of the customer audience, including Contracting officers and end-users. A benchmark level of **84%** overall satisfaction with the AbilityOne Program was established through a 2011 survey of Contracting officers. Survey questions included how likely the customers were to recommend an AbilityOne solution to other Federal agencies (84% were Very Likely or Likely), and explored their perceptions of quality, timeliness, communication and pricing.

During 2013, the Commission and its CNAs pilot tested and implemented an end-user survey through the support of the Federal Acquisition Institute (FAI), which has expertise in assisting other Federal agencies with similar kinds of survey outreach. As it can be difficult to reach end-users of AbilityOne products and services directly, the survey also identified surrogates for end-users as individuals who deal directly with end-users, such as building managers, administrative services officers or purchase cardholder who buys supplies for their offices. Overall, end-users of AbilityOne products and services gave the program the highest ratings (80% satisfaction or better) in the areas of quality, timeliness and responsiveness. The end-users were less likely to identify AbilityOne pricing as an area of high satisfaction.

In early FY 2015, a survey of non-Defense Federal Customer Satisfaction and Loyalty was implemented to identify strengths and opportunities for improvement among customers who are the primary points of contact for active AbilityOne contracts. The overall response rate was just below 20% and the margin of error +/- 7.1%, requiring conservative use of the data. However, statistically valid findings included an overall **88%** satisfaction level with the AbilityOne Program among this segment of customers, up from the previously measured level of 84% in 2011. Other statistically valid findings underscored the Program's need to focus on more competitive pricing and proposals, while quality and timeliness were found to be equal to or better than non-AbilityOne contractors. The results correlated closely with the feedback gathered in an AbilityOne products/services end-user survey conducted in 2013.

The Department of Defense (DOD) has implemented policies that limit their acquisition personnel's participation in surveys without special authorization. If unable to gather quantitative data from DOD customers, the Commission will have to use past performance reports to glean customer satisfaction input. The Commission is also implementing GAO recommendations related to pricing, specifically to enhance transparency in the establishment of Procurement List prices through the dissemination of procedures, manuals and training. After full implementation, we will evaluate the effect of these recommendations on customers' understanding of and perception of AbilityOne pricing.

2.4. Employment Growth

Creating and sustaining employment opportunities for people who are blind or who have significant disabilities is the reason for the AbilityOne Program's existence. The Commission monitors employment in terms of jobs created/sustained, and the number of direct labor hours worked by AbilityOne employees. As AbilityOne employment is generated through the delivery of products and services to the Government, growth strategies revolve around increasing Federal agencies' procurement of these items. The Commission works to ensure that Federal agencies are aware of and comply with the AbilityOne mandatory source requirements, and that they do not purchase alternative products or services which diminish AbilityOne job opportunities.

Strategic Objective 2.4.1.

Increase employment opportunities and quantity of work by AbilityOne Program employees by 2% per year for products and 7% per year for services.

This objective and the associated targets, to achieve two percent (2%) year-over-year employment growth related to AbilityOne products, and to achieve seven percent (7%) year-over-year employment growth related to AbilityOne services, were based on AbilityOne employment growth trends during the period prior to the establishment of the FY 2010-FY 2014 Strategic Plan. However, significant changes in the business environment have made pursuit of the employment growth goal extremely challenging; particularly the budget austerity and military drawdown in the past two years. The Commission will revisit these targets to determine whether they should be adjusted downward.

In FY 2014, the most recent year for which employment data is compiled, there was a net loss of jobs by AbilityOne nonprofit agencies. The number of direct labor hours worked also decreased about 2% from the previous year. One positive note in FY 2014 was the increase in promotions for the AbilityOne workforce. The greater losses experienced by the nonprofit agencies in their non-AbilityOne work is indicative of the difficult economic environment overall.

	FY 2014 AbilityOne Result	% Change	Non-AbilityOne Change
Hours	44,855,247	-2.17%	-5.69%
People	46,621	-2.26%	-7.93%
Promotions	1,181	16.93%	-4.32%
Placements	1,936	-12.71%	-12.77%
Wages	\$558,031,858	0.70%	-2.33%
Sales	\$2,881,532,877	1.73%	-0.14%

Table 3. AbilityOne Program Employment Data through September 30, 2014

Quarterly as well as anecdotal reports lead us to estimate a leveling of employment numbers at the end of FY 2015 when the annual data is reconciled. However, manufacturing opportunities for military unique clothing and equipment continued to decline. This work grew quickly during the build-up and surge of military activity, but has plummeted in the past three years. The Commission's analysis of historical data shows that these results, though disappointing, are both typical and predictable: AbilityOne product sales have increased and contracted in a similar manner after each war or military conflict since 1942. In recent years, the increase in AbilityOne service jobs has partially masked the job loss associated with products, and indicates that a diversified business base is necessary to mitigate the potentially dramatic shifts in demand for AbilityOne products.

Across the Program, employment has been reduced where budget shortfalls have caused Contracting Officers to de-scope their requirements and renegotiate prices. However, there were some bright spots in terms of new service contracts starting up during FY 2015. More than 50 new jobs for people with significant disabilities were created through the addition to the AbilityOne Procurement List of requirements such as Third Party Logistics Service, Department of State; Facilities Maintenance Service, U.S. Coast Guard Curtis Bay; and location-specific Custodial Services for the Department of the Navy.

One leading indicator is the estimated employment created by Procurement List additions during the Fiscal Year. In FY 2015, the equivalent of 430 full-time equivalents' worth of direct labor hours were created, which may provide employment for up to 800 individuals, given that AbilityOne employees often work less than full time. However, the trend is downward, reflecting the reduction in overall contracting opportunities and dollars available. The table below shows that the past three years have been below average for new opportunities coming to the AbilityOne Program, underscoring the need for more customer outreach and expansion into new lines of business.

	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Results	5-Year Average
PL Additions	151	140	156	115	86	136
New FTEs	1359	1205	970	485	430	1052

Table 4. Fiscal Year 2011-2015 Procurement List Additions

The AbilityOne Program continued to emphasize employment opportunities for wounded warriors and other veterans with disabilities in FY 2015, particularly in emerging lines of business such as software testing, facilities management and contract closeout work. The employment of more than 3,000 veterans and wounded warriors across the AbilityOne Program is a point of both pride and continued commitment for the Commission. We continue to study methods to further recruit, train and employ the veteran population, particularly the Gulf War II era veterans who have the highest levels of unemployment among all veterans.

Strategic Objective 2.4.2.

Effective advocacy will increase Federal agencies' utilization of the AbilityOne Program.

This objective pertains to education and outreach, particularly by members of the Commission, to inform Federal employees about the benefits of the AbilityOne Program and to increase AbilityOne utilization. Advocacy, in this context, means working to ensure that Federal agencies comply with the AbilityOne mandatory source requirements and do not purchase substitute items which detract from AbilityOne employment. At the same time, advocacy includes establishing strategic alliances with other Federal agencies and commercial business partners, to expand awareness of the AbilityOne mission and our workforce's capability.

The U.S. AbilityOne Commission is comprised of 11 public members (Federal employees) and four private citizens appointed by the President. The public members are senior leaders within their own Federal agencies, listed in Section 1.5, in areas such as procurement, finance, logistics, or vocational rehabilitation. As such, they are in prominent positions to communicate within their agencies about the benefits of the AbilityOne Program and to encourage its support. The private citizens are subject matter experts conversant with the employment concerns of people who are blind or significantly disabled and work within the broader disability community.

Federal agencies' utilization of the AbilityOne Program is also increased when their leaders, whether or not they are members of the Commission, demonstrate support for AbilityOne by signing and issuing memoranda of support, by encouraging their staff to identify new AbilityOne opportunities and by ensuring that their agencies' acquisition personnel comply with the mandatory source requirements of the Procurement List. Memoranda issued in FY 2015 from well-respected leaders such the Director of Defense Procurement and Acquisition Policy were widely disseminated and often re-issued at the next level by leaders across the department.

A performance indicator for program advocacy is sustainment of AbilityOne sales and market share through the Federal Strategic Sourcing Initiative (FSSI) Office Products programs, as this is a core AbilityOne product line. The Commission tracks the percentage of AbilityOne sales among the FSSI vendors' total office product sales as an indicator of customers' and distributors' compliance with the mandatory source purchasing requirements. While the vendors participating in the FSSI program may change with the various competitive cycles, the FY 2015 data shows that AbilityOne products comprised nearly 20% of sales by the FSSI office supplies vendors. This is comparable to AbilityOne sales through the former GSA depot system and is slightly below the AbilityOne sales percentage through program-operated Base Supply Centers.

2.5. Business Excellence

The Commission executes mission-critical business processes with its Central Nonprofit Agencies, participating nonprofit agencies and Federal customers. Its goal is to improve the efficiency and efficacy of these three critical business processes: (1) the Procurement List addition process, which as discussed above generates employment, (2) fair market pricing policy and procedures, and (3) the Central Nonprofit Agency (CNA) Fee determination and implementation process.

Strategic Objective 2.5.1.

Improve the Procurement List end-to-end process.

The first objective for the Procurement List (PL) addition process was to decrease cycle time by 50%. The baseline or initial snapshot of likely PL addition cycle time in 2009 was in excess of 600 days. In today's dynamic acquisition environment, this cycle time is much too long for the Commission to successfully grow the AbilityOne Program. CNA and Federal customer feedback consistently reveals that some AbilityOne project opportunities are lost due to the length of time it takes to go through the PL addition process.

Through a Lean Six Sigma process mapping, diagnosis and subsequent implementation of four Lean solutions, PL addition cycle time was reduced by more than 25% when re-measured for FY 2012 transactions. Since FY 2013, additional process efficiencies have been identified and expanded for smaller, non-controversial PL additions that further **reduced cycle time by 14-21 days**. The Commission was able to use these efficiencies and shortened cycle time for about two-thirds of the PL additions it considered, and also deployed the efficiencies when processing PL deletions. In order to further streamline the process, delays and wait time must be reduced in the pricing/costing development and negotiation phase, which is discussed in Strategic Objective 2.5.2 below.

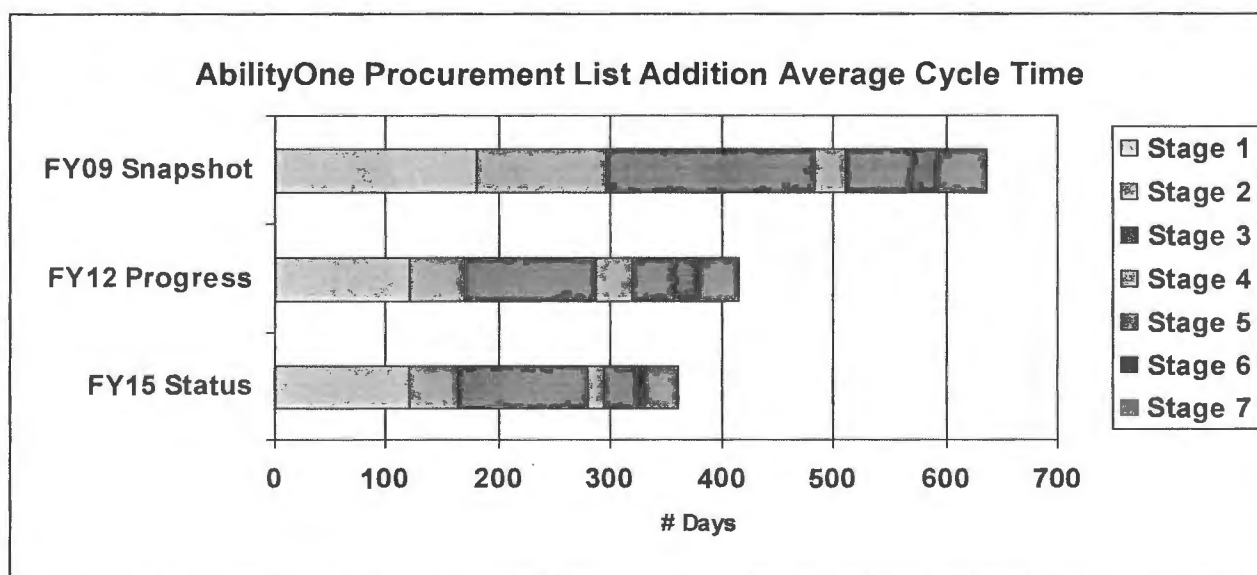


Figure 2. Procurement List Cycle Time FY 2009 – FY 2015

Strategic Objective 2.5.2.

Improve the Fair Market Price (FMP) end-to-end process.

By statute, the Commission is responsible for establishing the fair market price (FMP) for products and services on the PL. The second objective under this strategic goal is twofold – both to “Lean” the pricing process in terms of shortening cycle time, and to improve the transparency and competitiveness of AbilityOne pricing.

Cycle time reduction dovetails with the previous objective and benefits from the PL process mapping that has already been completed. In FY 2015, a pricing working group studied the process delays, identified areas that require more guidance or clarity, and recommended solutions to reduce rework and overall cycle time. These efforts are expected to decrease overall pricing cycle time when fully implemented. Standard Operating Procedures have been issued and the Commission's entire set of pricing policies and procedures have been updated for posting on www.AbilityOne.gov. These actions create greater transparency and will lead to enhanced understanding of AbilityOne pricing methods by program participants. The Commission expects to see shorter processing time and increased overall satisfaction in the pricing area, and will seek ways to measure such changes in FY 2016. These process improvements are consistent with the recommendations made by the Government Accountability Office (GAO) in its report GAO-13-457, which the Commission continues to implement.

Strategic Objective 2.5.3.

Align Central Nonprofit Agency (CNA) Fee to core strategic goals of the AbilityOne Program.

This objective pertains to the Commission's oversight and evaluation of its central nonprofit agencies' (CNA) use of resources. The CNAs are not funded by appropriation, but rather, they receive a small percentage of AbilityOne contract dollars, up to the ceiling approved by the Commission.

In FY 2015, the Commission reviewed the CNAs' annual business plans to evaluate the resources needed to perform their regulatory duties and the revenue projected to be collected during the next fiscal year. These resources are used to provide technical and financial support to AbilityOne-participating nonprofit agencies and to execute the CNAs' duties in accordance with 41 CFR 51-3.2 as well as their responsibilities in the implementation of the AbilityOne strategic goals. The Commission considered the results from FY 2014 and the CNAs' plans to achieve results in FY 2016, and determined that the current CNA fee ceilings (3.9% for National Industries for the Blind and 3.85% for SourceAmerica) will remain in effect for the next year.

The Commission continued its practice of dashboard reviews during the fiscal year to ensure that CNA resource utilization remains consistent with the Commission's understanding and communicated priorities at the time the fee ceiling was approved. The dashboard reviews allow the Commission, through its Business Excellence Subcommittee, to monitor CNA performance of their regulatory duties and other actions to achieve the AbilityOne strategic goals. The Commission plans to undertake a more comprehensive review of the CNA business plans and resource requirements during FY 2016.

Section 3: Other Information

3.1. Major Management Priorities and Challenges

Three particular management priorities and challenges during FY 2015 were:

- Minimizing the impact of budget austerity on AbilityOne employment;
- Strengthening the Procurement List decision-making process; and
- Implementing the recommendations made in GAO Report 13-457.

Beginning in early FY 2013, and to a greater degree after sequestration was triggered, the Central Nonprofit Agencies reported layoffs across the AbilityOne nonprofit agencies, due to lack of orders for products or reductions in the scope of work for many service projects. By the end of FY 2015, the program has still not recovered all of the jobs that were lost. Some nonprofit agencies avoided lay-offs but had to reduce direct labor hours. The decrease in AbilityOne Program sales is attributed to the military drawdown of the past few years as well as general budget austerity. During FY 2015, the Commission met with key customers to discuss their funding shortfalls and how to maximize what is provided at lower prices.

The Commission continued to focus on strengthening the Procurement List decision-making process in FY 2015. Accuracy, thoroughness and commitment to documentation of the facts were key areas of focus, to enable the Commission to successfully defend its decisions if challenged. Further process improvements were developed, such as project-level Representations and Certifications, which will be required for proposed Procurement List additions no later than FY 2017. These “Reps and Certs” will provide additional facts, certified data and other important information to inform and fully document the rationale for the Commission’s business decisions.

In accordance with GAO recommendations, the Commission is strengthening its oversight by implementing written agreements with the Central Nonprofit Agencies (CNAs). Developing a comprehensive requirement with performance standards has been a lengthy undertaking, and the timeframe for completion is now mid-FY 2016. The written agreements will better specify the Commission’s expectations for the CNAs and will provide a formal process for performance evaluation. The resulting agreements will promote greater accountability for program effectiveness, efficiency and integrity.

3.2 Cross Agency Collaborations

In many ways, however, the Commission and the AbilityOne Program are cross-agency collaborations, as appointees from 11 different Federal agencies come together to determine how to increase employment for people who are blind or significantly disabled through the delivery of products and services to the Government. The Commission includes Presidential appointees from the Rehabilitation Services Administration of the Department of Education, and from the Office of Disability Employment Policy at the Department of Labor, which have broader yet complementary missions to the specific employment mission of the AbilityOne Program.

These collaborations often result in concrete outcomes, such as the Memorandum of Agreement signed between the Rehabilitation Services Administration and the Commission in FY 2015. The two agencies agreed to support each other's respective and related mission objectives through expanded communication, partnering and seeking mentoring opportunities.

As an independent agency, the Commission has also engaged in cross agency collaborative efforts that support the AbilityOne mission, such as participating in the Chief Information Officers Council's Accessibility Committee.

Finally, the Commission continues the cross-agency collaboration it has with the Defense Acquisition University (DAU). The Commission and DAU have a Memorandum of Agreement that provides Commission staff and AbilityOne employees who are blind or significantly disabled access to DAU contracting courses. As a result, over 200 individuals who are blind or significantly disabled have received training that enables their employment in performing contract closeout services. DAU has worked closely with National Industries for the Blind to ensure full accessibility of the course materials for students who are blind or visually impaired.

3.3 Evaluation and Research

The AbilityOne Program strategic goals and objectives were developed with stakeholder input and transparency, to ensure they were well informed, well communicated, specific, measurable and time-bounded. The latter three are particularly important to facilitate evaluation. The Commission relies on the annual program data it collects, and original research (mainly satisfaction surveys of customers and employees) to evaluate the AbilityOne Program's progress and efficacy in achieving these objectives and goals. The Commission's public meetings are often devoted to review and discussion of program data, analysis of such data, and strategies to enhance performance.

OMB Memorandum M-15-11 provides guidance regarding the credible use of evidence in decision-making. At the Program level, the Commission has long used evidence such as annual program data and independent reviews to evaluate performance and to determine the need for adjustments in priorities, policies and procedures.

The Commission reviews both annual and quarterly data such as changes in the number of program employees, direct labor hours they work, wages they are paid, outplacements that are made to competitive employment, and adoption of best practices in the work environment. This information enables the Commission to gain a better understanding of the nonprofit agencies that participate in the program and the AbilityOne employees themselves. The average hours worked per AbilityOne employee and the number of employees per nonprofit agency are two examples of evidence that has informed the Commission's decisions or policy positions.

In 2014, the Commission received data collection authority to require annual reporting of veterans' employment through the AbilityOne Program. This data has already been useful in showing the number of veterans employed, both for direct and indirect labor positions on AbilityOne contracts, which is both relevant to the AbilityOne mission and important to

maintaining the support of our Department of Defense customers. More than 3,200 veterans who are blind or have significant disabilities were working in FY 2014 (the most recent period available) as a result of AbilityOne Program job opportunities.

In FY 2015, the Commission received data collection authority to require nonprofit agencies to complete and submit a much more thorough Annual Representations and Certifications form with several new data fields to capture small business subcontracting data, more detailed veterans employment data and compliance with Federal contracting requirements.

3.4 Data Validation and Verification

Most of the key program data used for analysis and reporting is collected from each participating nonprofit agency in the AbilityOne Program. The source data are well defined and documented in the Commission's compliance procedures and handbooks disseminated by the CNAs. The Commission and the CNAs utilize on-site audits, to the extent practical, and technical support visits to educate nonprofit agencies and verify that their collection techniques are valid and accurate.

The annual program data must be verified and certified by the head of the nonprofit agency and an officer of its Board of Directors. In addition, the data is initially provided to the appropriate CNA for their review. The data will not be accepted if it is not complete or contains any discrepancies. The data is generated and transmitted electronically to reduce the potential for errors in data entry. A senior officer from either CNA must sign off on the data, certifying it to be accurate to the best of his or her knowledge. Finally, the Commission staff conducts data analysis looking for potential issues and requests verification of those found. A thorough reconciliation process is executed each year to ensure data accuracy.

3.5 Lower Priority Program Activities

The President's Budget identifies the lower-priority program activities, where applicable, as required under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: <http://www.whitehouse.gov/omb/budget>. Neither the Commission nor the AbilityOne Program are listed among the lower-priority program activities.

Section 4: Financial Information and Audit Report

The U.S. AbilityOne Commission's FY 2015 Financial Audit accompanies and supplements this Performance and Accountability Report, and is attached in its entirety as a PDF file.



**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO
ARE BLIND OR SEVERELY DISABLED**

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2015 and 2014

Independent Auditor's Report

Committee Members and Executive Director

Committee for Purchase from People Who Are Blind or Severely Disabled

Report on the Financial Statements

We have audited the accompanying balance sheets of the Committee for Purchase from People Who Are Blind or Severely Disabled (the Committee) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended. In our audit of the Committee for the fiscal year ended September 30, 2015, we found:

- The financial statements are presented fairly in all material respects, in conformity with U.S. generally accepted accounting principles,
- No material weaknesses in internal control over financial reporting (including safeguarding assets),
- No reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail our opinion, our consideration of internal control over financial reporting, our tests of compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

Opinion on Financial Statements

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the Committee as of September 30, 2015 and 2014, and its net costs; changes in net position; and budgetary resources for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Committee's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on internal control included in the MD&A.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of

significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the Committee's internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to the Committee's management.

Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the Committee's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2015. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Consistency of Other Information

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Responsibilities

Management's Responsibilities. Management is responsible for preparing the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the Committee.

Auditors' Responsibilities. Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

A handwritten signature in black ink that reads "Rocha & Company, PC". The signature is written in a cursive, flowing style.

Rocha & Company, PC
Gaithersburg, Maryland

November 13, 2015

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY
DISABLED
BALANCE SHEET**

As Of September 30, 2015 and 2014

		2015	2014
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 691,854.63	\$ 766,936.97
Total Intragovernmental		<u>691,854.63</u>	<u>766,936.97</u>
Assets With The Public:			
Accounts Receivable, net	(Note 3)	9,358.35	18,018.12
General Property, Plant and Equipment, Net	(Note 4)	<u>48,465.75</u>	<u> </u>
Total Assets		<u><u>\$ 749,678.73</u></u>	<u><u>\$ 784,955.09</u></u>
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 5)		82,927.18
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 6)	<u>19,997.21</u>	<u>17,460.03</u>
Total Intragovernmental		<u>19,997.21</u>	<u>100,387.21</u>
Liabilities With the Public:			
Accounts Payable	(Note 5)	39,888.46	69,060.40
Other:			
Accrued Funded Payroll and Leave	(Note 6)	89,706.08	78,806.00
Employer Contributions and Payroll Taxes Payable		2,747.68	2,549.19
Unfunded Leave	(Note 10)	<u>246,318.38</u>	<u>239,444.42</u>
Total Liabilities		<u><u>\$ 398,657.81</u></u>	<u><u>\$ 490,247.22</u></u>
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		539,515.20	516,134.17
Cumulative Results of Operations - All Other Funds		<u>(188,494.28)</u>	<u>(221,426.30)</u>
Total Net Position - All Other Funds (Consolidated)		<u>351,020.92</u>	<u>294,707.87</u>
Total Net Position		<u><u>\$ 351,020.92</u></u>	<u><u>\$ 294,707.87</u></u>
Total Liabilities and Net Position		<u><u>\$ 749,678.73</u></u>	<u><u>\$ 784,955.09</u></u>

The accompanying notes are an integral part of these statements.

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY
DISABLED
STATEMENT OF NET COST**

As Of And For The Years Ended September 30, 2015 and 2014

		2015	2014
		<hr/>	<hr/>
Program Costs:			
ABILITY ONE:			
Gross Costs		\$ 5,515,700.17	\$ 5,397,334.92
Net Program Costs	(Note 7)	<hr/> 5,515,700.17	<hr/> 5,397,334.92
Net Cost of Operations	(Note 11)	<hr/> <hr/> \$ 5,515,700.17	<hr/> <hr/> \$ 5,397,334.92

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2015 and 2014

FY 2015 (CY)

	<u>Consolidated Total</u>
Cumulative Results of Operations:	
Beginning Balances	\$ (221,426.30)
Budgetary Financing Sources:	
Appropriations used	5,286,826.78
Other Financing Sources (Non-Exchange):	
Imputed financing	261,805.41
Total Financing Sources	5,548,632.19
Net Cost of Operations	5,515,700.17
Net Change	<u>32,932.02</u>
Cumulative Results of Operations	<u><u>\$ (188,494.28)</u></u>
Unexpended Appropriations:	
Beginning Balance	516,134.17
Budgetary Financing Sources:	
Appropriations received	5,362,000.00
Other adjustments	(51,792.19)
Appropriations used	<u>(5,286,826.78)</u>
Total Budgetary Financing Sources	<u>23,381.03</u>
Total Unexpended Appropriations	<u>539,515.20</u>
Net Position	<u><u>\$ 351,020.92</u></u>

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2015 and 2014

FY 2014 (PY)

	<u>Consolidated Total</u>
Cumulative Results of Operations:	
Beginning Balances	\$ (225,235.00)
Adjustments:	
Changes in accounting principles	-
Corrections of errors	-
Beginning balance, as adjusted	<u>(225,235.00)</u>
Budgetary Financing Sources:	
Appropriations used	5,113,125.27
Other Financing Sources (Non-Exchange):	
Imputed financing	288,018.35
 Total Financing Sources	 5,401,143.62
Net Cost of Operations	<u>5,397,334.92</u>
Net Change	3,808.70
 Cumulative Results of Operations	 <u><u>\$ (221,426.30)</u></u>
Unexpended Appropriations:	
Beginning Balance	384,533.95
Budgetary Financing Sources:	
Appropriations received	5,257,000.00
Other adjustments	(12,274.51)
Appropriations used	<u>(5,113,125.27)</u>
Total Budgetary Financing Sources	<u>131,600.22</u>
Total Unexpended Appropriations	<u>516,134.17</u>
Net Position	<u><u>\$ 294,707.87</u></u>

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2015 and 2014

	2015 Budgetary	2014 Budgetary
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 128,880.94	\$ 94,868.03
Recoveries of prior year unpaid obligations (unobligated balances)	2,009.66	91,355.35
Other changes in unobligated balance	(51,792.19)	(12,274.51)
Unobligated balance from prior year budget authority, net	79,098.41	173,948.87
Appropriations (discretionary and mandatory)	5,362,000.00	5,257,000.00
Spending authority from offsetting collections	113.33	248.80
Total budgetary resources	\$ 5,441,211.74	\$ 5,431,197.67
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 8) \$ 5,337,109.58	\$ 5,302,316.73
Apportioned	45,651.67	49,537.68
Unapportioned	58,450.49	79,343.26
Unobligated balance brought forward, end of year	104,102.16	128,880.94
Total budgetary resources	\$ 5,441,211.74	\$ 5,431,197.67
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 638,056.03	\$ 444,815.34
Obligations incurred	5,337,109.58	5,302,316.73
Outlays (gross) (-)	(5,385,403.48)	(5,017,720.69)
Recoveries of prior year unpaid obligations (-)	(2,009.66)	(91,302.35)
Unpaid obligations, end of year	(Note 9) 587,752.47	638,056.03
Obligated balance, start of year (net)	638,056.03	444,815.34
Obligated balance, end of year (net)	\$ 587,752.47	\$ 638,056.03
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 5,362,113.33	\$ 5,257,248.80
Actual offsetting collections (discretionary and mandatory) (-)	(113.33)	(248.80)
Budget authority, net (discretionary and mandatory)	5,362,000.00	5,257,000.00
Outlays, gross (discretionary and mandatory)	5,385,403.48	5,017,720.69
Actual offsetting collections (discretionary and mandatory) (-)	(113.33)	(248.80)
Outlays, net (discretionary and mandatory)	5,385,290.15	5,017,471.89
Agency outlays, net (discretionary and mandatory)	\$ 5,385,290.15	\$ 5,017,471.89

The accompanying notes are an integral part of these statements.

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

GENERAL FUND

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Committee for Purchase from People who are Blind or Severely Disabled is the independent Federal agency that administers the Javits-Wagner-O'Day (JWOD) Program. The committee's mission is to create employment opportunities for people who are blind or have other severe disabilities by educating Federal customers about their requirement to purchase products and services made available by nonprofit agencies across the country employing such individuals.

Basis of Presentation

These financial statements have been prepared from the accounting records of the Committee in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2015, amounts of future economic benefits owned or managed by the Committee (assets), amounts owed by the Committee (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the Committee and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenues and Other Financing Sources

The Committee is an appropriated fund. It receives appropriations. Other financing sources for the Committee consist of imputed financing sources which are costs financed by other Federal entities on behalf of the Committee, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government.

NOTE 2 – FUND BALANCE WITH TREASURY

All of the Committee's fund balance with treasury is coming from appropriations. No trust, revolving or other fund type is used to fund the Committee's activities. The Committee operates as an annual fund, where each year is a new appropriation. This fund balance with treasury is a consolidated balance of five annual funds (FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015). The annual fund for FY 2010 is cancelled and the remaining fund balance of \$51,792.19 is given back to US Treasury during fiscal year 2014.

A. Fund Balance with Treasury	<u>2015</u>	<u>2014</u>
Appropriated Fund	\$691,854.63	\$766,936.97
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	45,651.67	49,537.68
b) Unavailable	58,450.49	79,343.26
2) Obligated Balance not yet Disbursed	<u>587,752.47</u>	<u>638,056.03</u>
Total	<u>\$691,854.63</u>	<u>\$766,936.97</u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees.

	<u>2015</u>	<u>2014</u>
Accounts Receivable - With the Public	\$9,358.35	\$18,018.12

NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2015, the Committee showed Leasehold Improvements with a total cost of \$258,074.37 and a net book value of \$0. The Accumulated Depreciation to date showed a balance of \$258,074.37. The depreciation calculation method used was Straight Line with a useful life matching the remaining time on the lease contract. The Committee also showed Equipment – Administrative with a total cost of \$113,301.71 and a net book value of \$48,465.75. The Accumulated Depreciation to date was \$64,835.96. The depreciation calculation method used was Straight Line with a useful life of 5 years. A \$5,000 threshold was used to determine whether items are capitalized.

2015	Equipment	Leasehold	Total
Cost	\$113,301.71	258,074.37	\$371,376.08
Accum. Depr.	(\$64,835.96)	(258,074.37)	(\$322,910.33)
Net Book Value	<u>\$48,465.75</u>	<u>\$0.00</u>	<u>\$48,465.75</u>

2014	Equipment	Leasehold	Total
Cost	\$58,067.53	258,074.37	\$316,141.90
Accum. Depr.	(\$58,067.53)	(258,074.37)	(\$316,141.90)
Net Book Value	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2014, the Committee showed liabilities covered by budgetary resources of \$152,339.43 and liabilities not covered by budgetary resources of \$246,318.38.

Liabilities covered by budgetary resources was composed of Accounts Payable \$6,469.74, Disbursements in Transit \$33,418.72, Accrued Funded Payroll and Leave \$89,706.08, and Employer Contributions and Payroll Taxes Payable \$22,744.89.

	2015	2014
With the Public		
Other (Unfunded leave liability)	246,318.38	239,444.42
Total liabilities not covered by budgetary resources	246,318.38	239,444.42
Total liabilities covered by budgetary resources	152,339.43	250,803.10
Total Liabilities	<u>\$398,657.51</u>	<u>\$490,247.22</u>

NOTE 6 – OTHER LIABILITIES

Other liabilities with the public consist of Accrued Funded Payroll and Leave of \$89,706.08, Unfunded Leave of \$246,318.38, and employer contributions and payroll taxes payable – TSP of \$2,747.68. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$19,997.21

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2015	Other Liabilities	\$246,318.38	\$92,453.76	\$338,772.14
2014	Other Liabilities	\$239,444.42	\$81,355.19	\$320,799.61
	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2015	Other Liabilities	\$0.00	\$19,997.21	\$19,997.21
2014	Other Liabilities	\$0.00	\$17,460.03	\$17,460.03

NOTE 7 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are those of goods/services purchased from a federal entity.

	<u>Total 2015</u>	<u>Total 2014</u>
Program A		
Intragovernmental costs	1,751,728.31	1,705,609.65
Public costs	3,763,971.86	3,691,725.27
Total Program A costs	<u>5,515,700.17</u>	<u>5,397,334.92</u>
Total Program A	<u>5,515,700.17</u>	<u>5,397,334.92</u>

NOTE 8 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for the Committee in fiscal year 2015 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All obligations for the Committee in fiscal year 2014 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the fiscal year 2014 SF 132.

	<u>2015</u>	<u>2014</u>
Direct		
Category B	\$5,337,109.58	\$5,302,316.73

NOTE 9 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

\$435,413.04 was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2015.

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance Net
2015	435,413.04	152,339.43	\$587,752.47
2014	387,253.23	250,803.10	\$638,056.33

NOTE 10 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 5).

FY 2015

	FY 2014	FY 2015	Change
Unfunded Annual Leave	\$239,444.42	\$246,318.38	(\$6,873.96)

FY 2014

	FY 2013	FY 2014	Change
Unfunded Annual Leave	\$227,159.83	\$239,444.42	(\$12,284.59)

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

**NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS
(PROPRIETARY) TO BUDGET**

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Committee in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Committee in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for the Committee employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2015	FY 2014
Budgetary Resources Obligated	\$5,337,109.58	\$5,302,316.73
Spending Authority from Recoveries and Offsetting Collections	(2,122.99)	(91,604.15)
Imputed Financing from Costs Absorbed by Others	261,805.41	288,018.35
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(48,159.81)	(97,587.31)
Resources that Finance the Acquisition of Assets	(46,574.41)	(17,024.02)
Financing Sources Yet to be Provided (see Note 11)	6,873.96	12,284.59
Components Not Requiring or Generating Resources	6,768.43	930.73
Net Cost of Operations	\$5,515,700.17	\$5,397,334.92

NOTE 13 – LEGAL CONTINGENCY

The Committee is represented by counsel from the Department of Justice, Civil Division, Commercial Litigation Branch (DOJ), in a litigation matter related to a claim that the government infringed on a U.S. Patent. An evaluation of the likelihood of unfavorable outcome by litigation counsel from the DOJ is that it is reasonably possible (the change of an unfavorable outcome is less than probable but more than remote) that the plaintiff will prevail. The liability could be as high as \$1,500,000 to \$2,000,000. The litigation counsel at DOJ has advised that the law suit will not result in liability or payment of attorneys' fees being paid out by the Committee should judgement be entered against the Committee. The Committee has been told that any such payments would be split between the contractor and the Judgement Fund for the government's share.

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 13, 2015, which is the date the financial statements were available to be issued.

Angela Phifer [APhifer@AbilityOne.gov]

From: Angela Phifer [APhifer@AbilityOne.gov]
Sent: Thursday, December 19, 2013 4:06 PM
To: Stephanie Lesko [SLesko@AbilityOne.gov]
Cc: Nancy Myrick [NMyrick@AbilityOne.gov]
Subject: RE: FY2013 Commission Meetings

October 25, 2012 Baltimore, MD
(NIB Annual Conference)

January 10, 2013 Arlington, VA

April 25, 2013 Arlington, VA
(Executive Session was held)

July 11, 2013 Arlington, VA

October 11, 2013 NIB Conference
(Cancelled – due to government shutdown)

From: Stephanie Lesko [SLesko@AbilityOne.gov]
Sent: Thursday, December 19, 2013 12:37 PM
To: Angela Phifer [APhifer@AbilityOne.gov]
Subject: FW: FY2013 Commission Meetings

Angela,
Do you have these for annual report?
Thanks,
Stephanie

From: Stephanie Lesko [SLesko@AbilityOne.gov]
Sent: Wednesday, November 27, 2013 3:02 PM
To: Angela Phifer [APhifer@AbilityOne.gov] (aphifer@AbilityOne.gov)
Cc: Nancy Myrick
Subject: FY2013 Commission Meetings

Angela,
For the annual report, can you please provide me with the dates (and locations) for the Commission meetings that were held in FY2013 (October 2012 – September 2013)?
Thanks,
Stephanie

Stephanie Lesko, Public Affairs Specialist
Policy and Programs
U.S. AbilityOne Commission
1401 S. Clarke Street, Suite 10800
Arlington, VA 22202
p: 703-603-2146 - f: 703-603-0655
email: slesko@abilityone.gov - Web: www.abilityone.gov



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**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO
ARE BLIND OR SEVERELY DISABLED**

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2014 and 2013

Independent Auditor's Report

Committee Members and Executive Director

Committee for Purchase From People Who Are Blind or Severely Disabled

Report on the Financial Statements

We have audited the accompanying balance sheets of the Committee for Purchase From People Who Are Blind or Severely Disabled (the Committee) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended. In our audit of the Committee for the fiscal year ended September 30, 2014, we found:

- The financial statements are presented fairly in all material respects, in conformity with U.S. generally accepted accounting principles,
- No material weaknesses or significant deficiencies in internal control over financial reporting (including safeguarding assets),
- No reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information included with the financial statements, (3) management's responsibility and (4) our responsibilities.

Opinion on Financial Statements

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the Committee as of September 30, 2014 and 2013, and its net costs; changes in net position; and budgetary resources for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Committee's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the Committee's internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to the Committee's management.

Compliance With Laws and Regulations

As part of obtaining reasonable assurance about whether the Committee's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2014. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Consistency of Other Information

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Responsibilities

Management's Responsibilities. Management is responsible for preparing the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the Committee.

Auditors' Responsibilities. Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Rocha & Company, PC

Rocha & Company, PC
Gaithersburg, Maryland

November 12, 2014

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY
DISABLED
BALANCE SHEET**

As Of September 30, 2014 and 2013

		<u>2014</u>	<u>2013</u>
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 766,937	\$ 539,683
Total Intragovernmental		<u>766,937</u>	<u>539,683</u>
Assets With The Public:			
Accounts Receivable, net	(Note 3)	18,018	994
General Property, Plant and Equipment, Net	(Note 4)	<u> </u>	<u>931</u>
Total Assets		<u>\$ 784,955</u>	<u>\$ 541,608</u>
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 5)	82,927	815
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 6)	<u>17,460</u>	<u>15,253</u>
Total Intragovernmental		<u>100,387</u>	<u>16,068</u>
Liabilities With the Public:			
Accounts Payable	(Note 5)	69,061	65,932
Other:			
Accrued Funded Payroll and Leave	(Note 6)	78,806	70,951
Employer Contributions and Payroll Taxes Payable		2,549	2,198
Unfunded Leave	(Note 10)	<u>239,444</u>	<u>227,160</u>
Total Liabilities		<u>\$ 490,247</u>	<u>\$ 382,309</u>
Net Position:			
Unexpended Appropriations - All Other Funds		516,134	384,534
Cumulative Results of Operations - All Other Funds		<u>(221,426)</u>	<u>(225,235)</u>
Total Net Position - All Other Funds		<u>294,708</u>	<u>159,299</u>
Total Net Position		<u>\$ 294,708</u>	<u>\$ 159,299</u>
Total Liabilities and Net Position		<u>\$ 784,955</u>	<u>\$ 541,608</u>

**THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY
DISABLED
STATEMENT OF NET COST**

As Of And For The Years Ended September 30, 2014 and 2013

		2014	2013
Program Costs:			
ABILITY ONE:			
Gross Costs		\$ 5,397,335	\$ 5,309,498
Net Program Costs	(Note 7)	5,397,335	5,309,498
Net Cost of Operations	(Note 11)	\$ 5,397,335	\$ 5,309,498

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2014 and 2013

FY 2014 (CY)

	<u>Total</u>
Cumulative Results of Operations:	
Beginning Balances	\$ (225,235)
Budgetary Financing Sources:	
Appropriations used	5,113,126
Other Financing Sources (Non-Exchange):	
Imputed financing	288,018
Total Financing Sources	5,401,144
Net Cost of Operations	5,397,335
Net Change	<u>3,809</u>
Cumulative Results of Operations	<u><u>\$ (221,426)</u></u>
Unexpended Appropriations:	
Beginning Balance	384,534
Budgetary Financing Sources:	
Appropriations received	5,257,000
Other adjustments	(12,275)
Appropriations used	<u>(5,113,125)</u>
Total Budgetary Financing Sources	131,600
Total Unexpended Appropriations	516,134
Net Position	<u><u>\$ 294,708</u></u>

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION As Of And For The Years Ended September 30, 2014 and 2013

FY 2013 (PY)

	<u>Total</u>
Cumulative Results of Operations:	
Beginning Balances	\$ (247,828)
Budgetary Financing Sources:	
Appropriations used	5,073,156
Other Financing Sources (Non-Exchange):	
Imputed financing	258,935
Total Financing Sources	5,084,263
Net Cost of Operations	5,309,498
Net Change	<u>22,593</u>
Cumulative Results of Operations	<u><u>\$ (225,235)</u></u>
Unexpended Appropriations:	
Beginning Balance	474,953
Budgetary Financing Sources:	
Appropriations received	5,374,822
Other adjustments	(392,085)
Appropriations used	<u>(5,073,156)</u>
Total Budgetary Financing Sources	<u>(90,419)</u>
Total Unexpended Appropriations	384,534
Net Position	<u><u>\$ 159,299</u></u>

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2014 and 2013

	2014 Budgetary	2013 Budgetary
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 94,868	\$ 164,572
Recoveries of prior year unpaid obligations (unobligated balances)	91,355	40,915
Other changes in unobligated balance	<u>(12,274)</u>	<u>(110,949)</u>
Unobligated balance from prior year budget authority, net	173,949	94,538
Appropriations (discretionary and mandatory)	5,257,000	5,093,686
Spending authority from offsetting collections	249	
Total budgetary resources	<u>\$ 5,431,198</u>	<u>\$ 5,188,224</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 8) \$ 5,302,317	\$ 5,093,356
Apportioned	49,538	4,043
Unapportioned	<u>79,343</u>	<u>90,825</u>
Unobligated balance brought forward, end of year	128,881	94,868
Total budgetary resources	<u>\$ 5,431,198</u>	<u>\$ 5,188,224</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 444,815	\$ 624,477
Obligations incurred	5,302,317	5,093,356
Outlays (gross) (-)	(5,017,721)	(5,232,102)
Recoveries of prior year unpaid obligations (-)	<u>(91,355)</u>	<u>(40,915)</u>
Unpaid obligations, end of year	(Note 9) 638,056	444,816
Obligated balance, start of year (net)	444,815	624,477
Obligated balance, end of year (net)	<u>\$ 638,056</u>	<u>\$ 444,816</u>
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 5,257,249	\$ 5,093,686
Actual offsetting collections (discretionary and mandatory) (-)	<u>(249)</u>	
Budget authority, net (discretionary and mandatory)	5,257,000	5,093,686
Outlays, gross (discretionary and mandatory)	5,017,721	5,232,102
Actual offsetting collections (discretionary and mandatory) (-)	<u>(249)</u>	
Outlays, net (discretionary and mandatory)	5,017,472	5,232,102
Agency outlays, net (discretionary and mandatory)	<u>\$ 5,017,472</u>	<u>\$ 5,232,102</u>

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

GENERAL FUND

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Committee for Purchase from People who are Blind or Severely Disabled is the independent Federal agency that administers the Javits-Wagner-O'Day (JWOD) Program. The committee's mission is to create employment opportunities for people who are blind or have other severe disabilities by educating Federal customers about their requirement to purchase products and services made available by nonprofit agencies across the country employing such individuals.

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OMB Circular No. A-136 requires agencies to prepare principal statements which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2014, amounts of future economic benefits owned or managed by the Committee (assets), amounts owed by the Committee (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the Committee and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenues and Other Financing Sources

The Committee is an appropriated fund. It receives appropriations. Other financing sources for the Committee consist of imputed financing sources which are costs financed by other Federal entities on behalf of the Committee, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government.

NOTE 2 – FUND BALANCE WITH TREASURY

All of the Committee's fund balance with treasury is coming from appropriations. No trust, revolving or other fund type is used to fund the Committee's activities. The Committee operates as an annual fund, where each year is a new appropriation. This fund balance with treasury is a consolidated balance of five annual funds (FY 2010, FY 2011, FY 2012, FY 2013, and FY 2014). The annual fund for FY 2009 is cancelled and the remaining fund balance of \$12,275 is given back to US Treasury during fiscal year 2014.

A. Fund Balance with Treasury	<u>2014</u>	<u>2013</u>
Appropriated Fund	\$766,937	\$539,683
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	49,538	4,043
b) Unavailable	79,343	90,825
2) Obligated Balance not yet Disbursed	638,056	444,815
Total	<u>\$766,937</u>	<u>\$539,683</u> *

*Rounding

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees.

	<u>2014</u>	<u>2013</u>
Accounts Receivable - With the Public	\$18,018	\$994

NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2014, the Committee showed Leasehold Improvements with a total cost of \$258,074 and a net book value of \$0. The Accumulated Depreciation to date showed a balance of \$258,074. The depreciation calculation method used was Straight Line with a useful life matching the remaining time on the lease contract. The Committee also showed Equipment – Administrative with a total cost of \$58,068 and a net book value of \$0. The Accumulated Depreciation to date was \$58,068. The depreciation calculation method used was Straight Line with a useful life of 5 years. A \$5,000 threshold was used to determine whether items are capitalized.

*Rounding

2014	Equipment	Leasehold	Total
Cost	\$58,068	258,074	\$316,142
Accum. Depr.	(\$58,068)	(258,074)	(\$316,142)
Net Book Value	\$0	\$0	\$0

2013	Equipment	Leasehold	Total
Cost	\$58,068	258,074	\$316,142
Accum. Depr.	(\$57,137)	(258,074)	(\$315,211) *
Net Book Value	\$931 *	\$0	\$931

*Rounding

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2014, the Committee showed liabilities covered by budgetary resources of \$250,803 and liabilities not covered by budgetary resources of \$239,444.

Liabilities covered by budgetary resources was composed of Accounts Payable \$151,988, Accrued Funded Payroll and Leave \$78,806, and Employer Contributions and Payroll Taxes Payable \$20,009.

	2014	2013
With the Public		
Other (Unfunded leave liability)	239,444	227,160
Total liabilities not covered by budgetary resources	239,444	227,160
Total liabilities covered by budgetary resources	250,803	155,149 *
Total Liabilities	\$490,247	\$382,309 *

*Rounding

NOTE 6 – OTHER LIABILITIES

Other liabilities with the public consist of Accrued Funded Payroll and Leave of \$78,806, Unfunded Leave of \$239,444, and employer contributions and payroll taxes payable – TSP of \$2,549. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable \$17,460.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2014	Other Liabilities	\$239,444	\$81,355	\$320,799
2013	Other Liabilities	\$227,160	\$73,149	\$300,309

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2014	Other Liabilities	\$0	\$17,460	\$17,460
2013	Other Liabilities	\$0	\$15,253	\$15,253

NOTE 7 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are those of goods/services purchased from a federal entity.

	<u>Total 2014</u>	<u>Total 2013</u>
Program A		
Intragovernmental costs	1,705,610	1,378,408
Public costs	3,691,725	3,931,090
Total Program A costs	<u>5,397,335</u>	<u>5,309,498</u>
Total Program A	<u>5,397,335</u>	<u>5,309,498</u>

*Rounding

NOTE 8 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations for the Committee in fiscal year 2014 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All obligations for the Committee in fiscal year 2013 were category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the fiscal year 2013 SF 132.

	<u>2014</u>	<u>2013</u>
Direct		
Category B	\$5,302,317	\$5,093,356

NOTE 9 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

\$387,253 was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2014.

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance Net	
2014	387,253	250,803	\$638,056	
2013	289,666	155,149	\$444,815	*

*Rounding

NOTE 10 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 5).

FY 2014

	FY 2013	FY 2014	Change
Unfunded Annual Leave	\$227,160	\$239,444	(\$12,284)

FY 2013

	FY 2012	FY 2013	Change
Unfunded Annual Leave	\$256,254	\$227,160	(\$29,095)
Other: Correction to Unfunded Annual Leave	\$14,829		\$14,829
Totals	\$271,083	\$227,160	(\$43,923)*

*Rounding

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

**NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS
(PROPRIETARY) TO BUDGET**

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Committee in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Committee in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for the Committee employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2014	FY 2013
Budgetary Resources Obligated	\$5,302,317	\$5,093,356
Spending Authority from Recoveries and Offsetting Collections	(91,604)	(40,915)
Imputed Financing from Costs Absorbed by Others	288,018	258,935
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(97,587)	20,715
Resources that Finance the Acquisition of Assets	(17,024)	(581)
Financing Sources Yet to be Provided (see Note 11)	12,284	(29,095)
Components Not Requiring or Generating Resources	931	7,082
Net Cost of Operations	\$5,397,335	\$5,309,498*

*Rounding

NOTE 13 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2014, which is the date the financial statements were available to be issued.

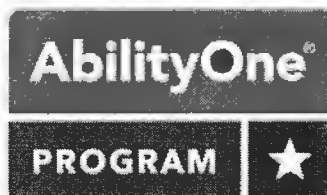
U.S. ABILITYONE COMMISSION

FISCAL YEAR 2014 Annual Financial Report (AFR)



*Established as the
Committee for Purchase From People Who Are Blind or Severely Disabled
under the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506)*

The U.S. AbilityOne Commission administers the AbilityOne Program.





U.S. ABILITYONE COMMISSION

November 17, 2014

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Jefferson Plaza 2, Suite 10800
1421 Jefferson Davis Highway
Arlington, Virginia 22202-3259

Message from the Executive Director

I am pleased to present the Fiscal Year 2014 *Agency Financial Report* (AFR) for the Committee for Purchase From People Who Are Blind or Severely Disabled, which operates as the U.S. AbilityOne Commission (Commission).

This report provides an overview of the Commission's performance and financial results, demonstrating our commitment to the mission and accountability over the resources entrusted to us. This is the first year the Commission has chosen to produce an AFR, with a primary focus on financial information, and an Annual Performance Report (APR), which focuses on strategic goals and performance results, in lieu of a combined Performance and Accountability Report (PAR). The FY 2014 APR will be combined with the FY 2016 Annual Performance Plan (APP) and included in the FY 2016 Congressional Budget Justification in February 2015.

The Commission administers the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506) and oversees the AbilityOne Program that statute authorizes. The Act is implemented through regulations found at 41 CFR Chapter 51 and Federal Acquisition Regulation (FAR) Subpart 8.7. The mission of both the Commission and the AbilityOne Program it oversees is to create employment opportunities for people who are blind or who have significant disabilities through the manufacture and delivery of products and services to the Federal Government. A jobs program accomplished through the Federal acquisition system, the AbilityOne Program serves individuals who have the most barriers to competitive employment and the lowest rate of workforce participation among working age Americans¹.

The Commission pursues four fundamental, strategic goals to achieve its employment mission:

- Effective Stewardship
- Employee and Customer Satisfaction
- Employment Growth, and
- Business Excellence.

¹ Labor force participation rate: Bureau of Labor Statistics, U.S. Department of Labor. Household Data, Table A-6, August 2014, *Employment status of the civilian population by sex, age, and disability status, not seasonally adjusted* [retrieved September 5, 2014].

Key accomplishments upholding the AbilityOne mission include the creation or sustainment of employment opportunities for more than 45,000 Americans who are blind or who have significant disabilities, providing more than 45 million hours of direct labor and more than \$500 million in wages to those individuals. Across the Program, participating nonprofit agencies maintained a 95% or greater rate of compliance, while overall AbilityOne employee satisfaction increased from 84.7% to 86.5%. The AbilityOne Program completed research to obtain key customer satisfaction insights such as price perceptions, and reduced cycle time for most Procurement List additions by seven days or approx. 8 percent of standard processing time.

This AFR is organized into three sections:

1. Management's Discussion and Analysis Section

This section provides an overview of the Commission's mission and organization, an overview of key performance goals and efficiency measures, mission challenges, financial highlights, and management assurances on internal controls, financial systems, and compliance with laws and regulations.

2. Financial Section

This section provides financial details, including the independent auditor's report and audited financial statements with accompanying notes.

3. Other Information Section

This section provides other financial information, management challenges identified by the Agency and appendices to the report.

The Commission takes its responsibility to be a diligent and accountable steward of Agency resources very seriously. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations during the FY 2014 financial audit. Management's assessment of risks and review of controls also disclosed no material weaknesses (see Statement of Assurance, p. 8), and the financial and performance data presented here is reliable and (unless otherwise specified) complete.

In pursuing our strategic goals and objectives, many of the Commission's challenges pertain to the conditions of the marketplace, and thus are ever changing. For a more detailed description of our mission challenges that have been identified by senior management, see p. 11.

Submitted by

E. Ballard
Executive Director & CEO

TABLE OF CONTENTS

Section 1: Management's Discussion and Analysis	4
Mission and Vision Statements	4
Organizational Structure	4
Performance Highlights	6
Mission Challenges	8
Management Assurances	8
 Section 2: Financial Section	 10
 Section 3: Other Information	 11
Management Challenges	11
Appendices.....	12

Section 1: Management's Discussion and Analysis

Mission and Vision Statements

The **mission** of the U.S. AbilityOne Commission and the AbilityOne Program is:

To create employment opportunities for people who are blind or who have other significant disabilities in the manufacture and delivery of products and services to the Federal Government.

The **vision** of the AbilityOne Program is:

The AbilityOne Program enables people who are blind or have other significant disabilities to achieve their maximum employment potential.

This vision will be realized when:

- ♦ Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- ♦ Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate to his or her geographic locality.
- ♦ AbilityOne employees are provided the training and development they need to be successful in their current positions, and ultimately achieve their maximum employment potential.
- ♦ Every AbilityOne employee is provided the opportunity, with or without accommodations, to advance to his or her maximum employment potential, including internal or external competitive placement or management and administrative positions.
- ♦ All AbilityOne products and services provide best value to Federal customers, thus earning their continued support and loyalty.

Organizational Structure:

The Commission is comprised of 15 Presidential appointees by law, and had a full-time staff of 26 at the end of FY 2014. In accordance with the enabling legislation, a unique public-private structure is in place to administer and support the AbilityOne Program. The Act directs the Commission to designate one or more central nonprofit agencies to assist it in implementing the AbilityOne Program. The Commission has designated National Industries for the Blind (NIB) and SourceAmerica (formerly known as NISH, serving people with a wide range of significant disabilities) to fulfill this role. NIB and SourceAmerica assist nearly 600 private not-for-profit agencies and/or State agencies that participate in the AbilityOne Program and provide support to the AbilityOne Program's Federal customers. The nonprofit agencies deliver quality supplies and services to Federal customers, thereby creating employment for the target population.

The AbilityOne Program organization structure is illustrated below.

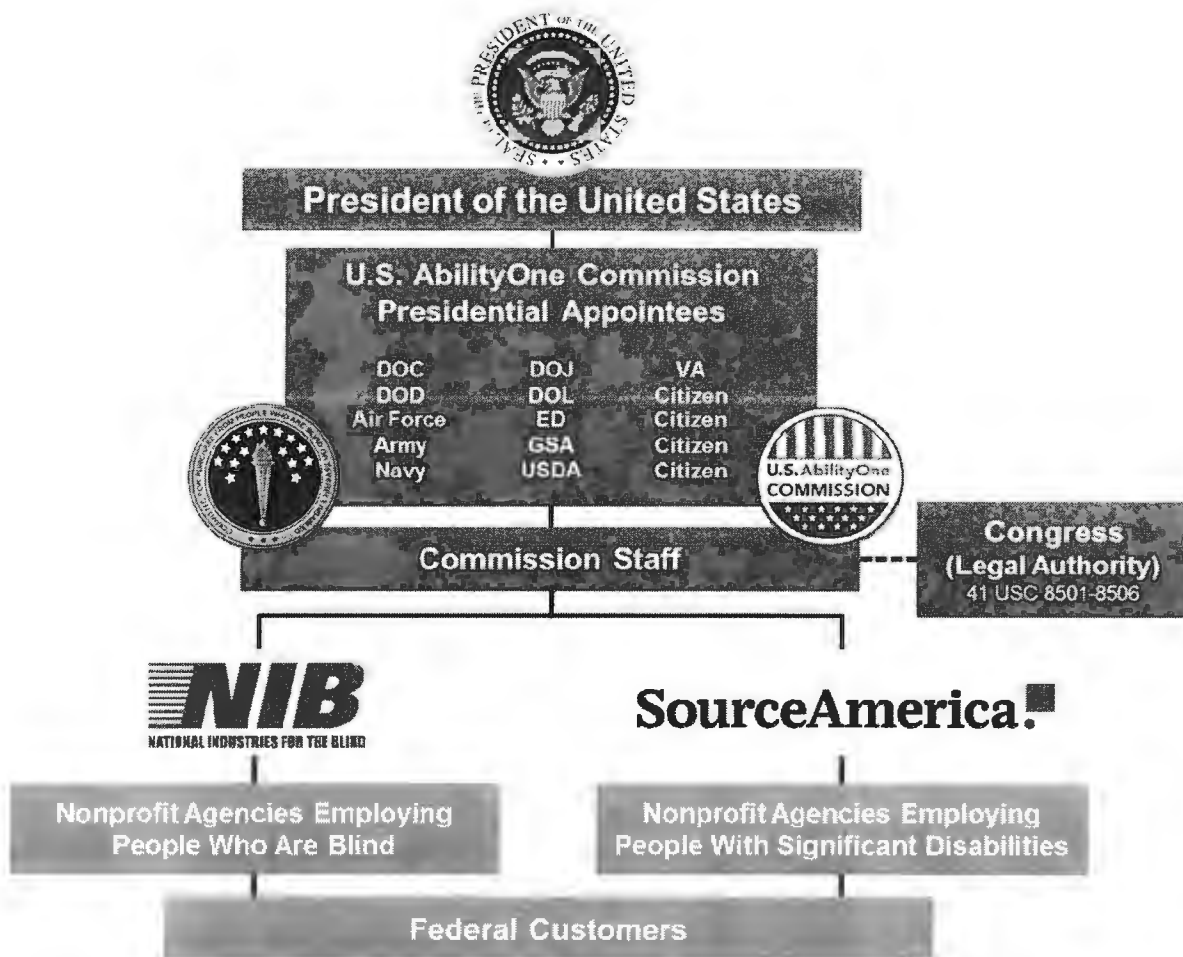


Figure 1. AbilityOne Program Fiscal Year 2014 Organizational Structure.

The President appoints 15 members to the U.S. AbilityOne Commission, who provide oversight and guidance to the Agency and make determinations about products and services suitable for the Procurement List. Eleven of the members are appointed to represent Federal agencies, while four members are private citizens representing the employment concerns of people who are blind or who have other significant disabilities. This diversity in membership ensures that the Commission is able to consider and balance the employment needs of people who are blind or significantly disabled with the procurement needs of the Federal Government.

Throughout FY 2014, the Commission Chairperson was J. Anthony Poleo, who was appointed to represent the Department of Defense. The Vice Chairperson was James M. Kesteloot, a private citizen from Chicago, Illinois, representing the employment concerns of nonprofit agency employees who are blind.

A full list of Presidential appointees serving on the U.S. AbilityOne Commission at the end of FY 2014 may be found in Appendix A.

Performance Highlights:

This section provides an overview of the Commission's strategic and performance planning framework and summarizes the key performance goals and measures. The performance results described in this report enable the Commission to administer its programs, gauge their success, and make adjustments necessary to improve program quality for the public. As stated in the introduction to this report, the Commission will produce a more detailed Annual Performance Report (APR) in February 2015, in lieu of submitting a combined Performance and Accountability Report in November 2014. The APR will have updated FY 2014 data, and will be combined with the FY 2016 Congressional Budget Justification. The AFR and APR will be published on the Commission's website, www.abilityone.gov.

Strategic and Performance Planning Framework:

The FY 2014 performance planning framework originated from the AbilityOne Program Strategic Plan for Fiscal Years 2010 to 2014, and is structured around four strategic goals.

- **Effective Stewardship**

AbilityOne Program integrity is paramount, making the Effective Stewardship goal a top priority for the Commission. Effective Stewardship encompasses monitoring and fostering nonprofit agencies' compliance with the statutory and regulatory requirements to participate in the AbilityOne Program, which is measured by the percentage of nonprofit agencies audited and found to be within the parameters of AbilityOne requirements compliance. The Commission's preliminary FY 2014 data shows a compliance rate of 95%, which is consistent with that of FY 2013. At the same time, stewardship involves educating and promoting Federal customers' compliance with AbilityOne mandatory source requirements, and most recently, enhancing the Commission's oversight of its Central Nonprofit Agencies, in accordance with the recommendations in GAO Report GAO-13-457. The Commission is working to establish benchmark data to demonstrate compliance levels of the latter groups.

- **Employee and Customer Satisfaction**

Both employee and customer satisfaction are crucial to accomplishment of the AbilityOne Program's employment mission. The Commission oversees the evaluation of data from these two key stakeholder groups, which include both quantitative and qualitative measures of satisfaction. The Commission and its AbilityOne partners then develop and execute plans to increase satisfaction in the areas where our data and evidence show the greatest opportunity for improvement. AbilityOne employee satisfaction is measured by periodic workforce surveys conducted by the Central Nonprofit Agencies, whose data is combined and analyzed by the Commission. In FY 2014, the workforce overall satisfaction rate rose from 84.7% to 86.5%, based on this analysis. In terms of customer data, AbilityOne products' end-users were surveyed and provided insights into pricing perceptions that affect the level of support and utilization of AbilityOne products.

- **Employment Growth**

The AbilityOne Program's mission is to generate employment opportunities for people who are blind or significantly disabled, so employment growth is an obvious goal and metric for the Commission. The quality of AbilityOne employment, in addition to the quantity of jobs, is also high priority for the Commission, and is considered under the previous goal for employee satisfaction. In terms of net growth, the Commission direct labor hours worked, individuals hired to perform on AbilityOne contracts, promotions of people who are blind or significantly disabled, as well as competitive placements. During FY 2014, most employment metrics for the program were down approx. 3 percent, due to budget austerity, military drawdown and the effects of sequestration. By mid-2014, AbilityOne sales and jobs began to resume some lost ground. While the fiscal year ended down, we anticipate some recovery in FY 2015.

- **Business Excellence.**

The Commission executes mission-critical business processes with its Central Nonprofit Agencies, participating nonprofit agencies and Federal customers. The strategic objective is to improve the efficiency and efficacy of three critical business processes: (1) the Procurement List addition process, which as discussed above generates employment, (2) fair market pricing policy and procedures, and (3) the Central Nonprofit Agency (CNA) Fee determination and implementation process. The Commission is working to decrease cycle times, with its initial focus on the Procurement List having shaved another 7 days or 8 percent off the standard process in FY 2014. In terms of the CNA Fee, the Commission continued to track quarterly achievements and compared them to planned activities as one means to monitor appropriate resource utilization.

Performance Measurement Process:

The data used by the Commission to measure progress toward the strategic goals comes from annual certifications submitted by AbilityOne-participating nonprofit agencies, from the AbilityOne Program Central Nonprofit Agencies, from Commission's internal database and as needed, from original research. The nonprofit agency and Central Nonprofit Agency data is reviewed and validated by the Commission prior to acceptance and incorporation into our data systems. The Commission's Director of Compliance serves as the data steward for the Agency's performance measures, in light of his quality assurance background and familiarity with the sources of the data received. This process includes substantiating that actual results reported are indeed correct whenever those results reveal significant discrepancies or variances from the target. He coordinates with the Chief Compliance, Financial and/or Information Officers at the Central Nonprofit Agencies to make any necessary corrections to the data.

Verification and Validation of Performance Data:

The Commission ensures that the performance data presented in this report is complete, reliable and accurate based upon the following steps:

- The Commission's Procurement List Information Management System (PLIMS) is a central repository for data submission and review, and allows for the generation of various management reports. As an electronic data tool, it reduces human error, increases transparency, and facilitates senior management review of the agency's performance information.
- The Commission has written policies and procedures to ensure timely reporting by participating nonprofit agencies and Central Nonprofit Agencies of complete, accurate, and reliable data results relative to the key performance goals.
- The Agency conducts ongoing monitoring of performance targets, such as through quarterly dashboards, to identify and capture changes in key factors that impact the AbilityOne Program's ability to achieve results.
- The Commission's annual results are presented to the Presidentially-appointed members each year with an in-depth discussion of causal factors, policy implications and any proposed changes.

Accordingly, the Agency's performance results demonstrate that the U.S. AbilityOne Commission is focused on the strategic goals it has identified and is properly leveraging resources to achieve its employment mission.

Mission Challenges

The most significant challenge to the Commission's employment mission is the austere Federal budget environment, combined with the military drawdown, which resulted in a substantial reduction in Federal contract spending, including expenditures on AbilityOne products and services. The Federal Government has been funded by a series of incremental continuing resolutions over the past several years, and was shut down for three weeks at the start of FY 2014. These declines and dramatic uncertainty have resulted in a contraction in both AbilityOne jobs and hours of direct labor worked by the AbilityOne population during FY 2014, despite efforts to identify new employment opportunities.

The Commission and its AbilityOne Program partners have developed strategies and tactics to foster employment growth despite the difficult business environment. These include developing new lines of business, seeking high level advocates for the program, removing self-imposed barriers and continuously improving cycle time.

Management Assurances

The Commission considers internal controls to be an integral component of effective agency management which helps the Agency to provide reasonable assurance that the following objectives are achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. In FY 2014, the Commission has continued its commitment to maintaining strong internal controls.

The Commission's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers Financial Integrity Act of 1982 (FMFIA). The Commission conducted its FY 2014 assessment of the effectiveness of internal controls in accordance with the requirements of the Office of Management (OMB) Circular No. A-123 "Management's Responsibility for Internal Control." Based on the results of this assessment, the Commission is providing reasonable assurance that the internal controls in effect as of September 30, 2014 met their intended objectives and no material weaknesses were found in the agency's controls.

Summary of Material Weakness and Nonconformances:

The Commission has no material weaknesses or nonconformances to report for FY 2014. Additionally, there were no existing unresolved weaknesses requiring corrective action.

FISMA:

As mandated by the Federal Information Security Management Act (FISMA), the Commission continues to maintain an information security program to manage information technology in accordance with National Institute of Standards and Technology (NIST) requirements. During FY 2014, the Commission devoted the necessary attention and effort to implementing the measures (plan of action milestones or POAMs) necessary to fully comply with all FISMA audit requirements, executing the Agency's annual submission to OMB in a timely manner.

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. As of September 30, 2014, the Commission had no outstanding payments that were subject to the Prompt Payment Act and incurred no interest penalties.

Debt Collection Improvement Act of 1996

This law was enacted to enhance the ability of the Federal Government to service and collect debts. The Commission has no routine debt collection, and refers any occasional delinquent debt to the U.S. Treasury for collection.

Improper Payments Elimination and Recovery Act:

This statute requires agencies to annually review all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. In accordance with the OMB guidance, the Commission performed a risk assessment and determined that none of the agency's programs or activities were susceptible to significant improper payments. The Commission's review of all payments made in during the fiscal year confirmed that the Agency did not make any improper payments in FY 2014.

Section 2: Financial Section

See Attached Audit Report and Financial Statement with notes.

Section 3: Other Information

Schedule of Spending

NA

Management Challenges

Like the mission challenges discussed in Section 1, the austere Federal budget environment has presented management challenges for the U.S. AbilityOne Commission. In the past several years, a combination of continuing resolutions, across-the-board reductions and rescissions have eroded the Commission's budget, and staffing has decreased by 10% from a peak of 29 FTEs in 2008 to 26 FTEs in 2014, the maximum practical at the current funding level.

Over that same period the Agency's ability to perform oversight, legal, regulation, policy, operations have been dwarfed by program value that increased by 38% or nearly \$1 billion, and more than 1,500 product and service requirements were added to the AbilityOne Procurement List, requiring oversight and ongoing maintenance. In May 2013, the Government Accountability Office (GAO) issued a report [13-457] finding that the Commission needs to provide greater oversight of the AbilityOne Program.

At about 45,000 disabled employees, this program is the single largest employer of people who are blind or significantly disabled in the United States. However, that number had reached 50,000 and there are more than 13 million unemployed or underemployed in the population we are intended to serve. The agency continues to use the resources it has available, and to leverage the AbilityOne public-private network, to pursue employment growth while maintaining effective stewardship, employee and customer satisfaction and operational excellence.

Appendix A

U.S. AbilityOne Commission Members as of September 30, 2014

J. Anthony Poleo, *Chairperson*

Director, DLA Finance/CFO

Defense Logistics Agency

James M. Kesteloot, *Vice Chairperson*

Private Citizen Representing Nonprofit Agency Employees who are Blind

Perry E. Anthony, Ph.D.

Deputy Commissioner, Rehabilitation Services Administration

U.S. Department of Education

Jan R. Frye

Deputy Assistant Secretary, Office of Acquisition & Logistics

U.S. Department of Veterans Affairs

Harry P. Hallock

Deputy Assistant Secretary of the Army – Procurement

U.S. Department of the Army

Robert T. Kelly, Jr.

Private Citizen Representing Employment Concerns of People with Significant Disabilities

Paul M. Laird

Regional Director, North Central Region, Federal Bureau of Prisons

U.S. Department of Justice

Anil Lewis

Private Citizen Representing Employment Concerns of People who are Blind

Kathleen Martinez

Assistant Secretary, Office of Disability Employment Policy

U.S. Department of Labor

Karen J. McCulloh

Private Citizen Representing Nonprofit Agency Employees with Significant Disabilities

Thomas D. Robinson

Associate Deputy Assistant Secretary (Contracting)

U.S. Department of the Air Force

William A. Sisk

Assistant Commissioner, Federal Acquisition Service

U.S. General Services Administration

Lisa M. Wilusz

Director of the Office of Procurement and Property Management

U.S. Department of Agriculture

Virna L. Winters

Director, Acquisition Policy and Oversight Division

U. S. Department of Commerce

Admiral Jonathon Yuen

Commander Naval Supply Systems Command and Chief of Supply Corps

U.S. Department of Navy

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

FISCAL YEAR 2016 BUDGET JUSTIFICATION



An independent agency responsible for administering the Javits-Wagner-O'Day Act (41 U.S.C. §§8501-8506) and the AbilityOne Program.

Operating as the U.S. AbilityOne Commission



TABLE OF CONTENTS

Executive Director's Message and Summary	2
Legal Authority, Mission, Vision and Program Structure	5
Performance Goals, Measures and Indicators	
Effective Stewardship	7
Employee and Customer Satisfaction	10
Employment Growth	15
Business Excellence	18
FY 2016 Management-Focused Objectives	
Management Improvement Objective – DSP Review	20
IT Investment, Cloud Spending and Cyber Security	21
Evidence, Evaluation and Innovative Experimentation	23
Reductions, Savings and Increased Effectiveness	24
Analysis of Resources Requested	
Policy and Funding Priorities	25
Discretionary Funding Targets	26
Programmatic Increases or Anomalies	26
Budget Request by Object Class	26
Proposed Appropriation Language	29
Conclusion	30
Appendix: Financial Management Summary	32

EXECUTIVE DIRECTOR'S MESSAGE AND SUMMARY

The Committee for Purchase From People Who Are Blind or Severely Disabled, operating as the U.S. AbilityOne Commission (Commission) since 2011, administers the Javits-Wagner-O'Day Act (41 U.S.C. §§ 8501-8506) and oversees the AbilityOne Program that statute authorizes. The AbilityOne Program creates and sustains employment for more than 47,000 Americans who are blind or who have significant disabilities through the delivery of quality products and services to the Federal Government. A jobs program accomplished through the Federal acquisition system, the AbilityOne Program serves individuals who have the most barriers to competitive employment and the lowest rate of workforce participation among working age Americans¹.

As you review this request, we ask that you keep these thoughts at the forefront of your evaluation.

- At about 47,000 disabled employees, the AbilityOne Program is the single largest source of employment for people who are blind or significantly disabled in the United States.
- However, there are more than 13 million unemployed or underemployed in the population we are intended to serve, and the Program's employment peak of 50,000 has not been repeated in the past two years.
- It is critical to fully fund the Commission to ensure the necessary resources to focus on regaining and further expanding employment opportunities for the AbilityOne workforce – Americans who face some of the most significant barriers to competitive employment.
- This budget request will enable accomplishment of our statutory mission to grow employment for people who are blind or significantly disabled. It focuses on positioning the AbilityOne Program to succeed in this austere budget environment.

This FY 2016 budget submission builds on the President's vision for growth and opportunity for a subset of the U.S. population that encounters the most barriers to full employment. As discussed throughout this request, the Commission continues to pursue four fundamental, strategic goals to achieve its employment mission. First, the austere budget environment is driving the Commission to strengthen program advocacy, and to promote partnerships as well as enhanced oversight of the Javits-Wagner-O'Day Act and the AbilityOne Program. Second, the Commission must monitor and increase both employee and customer satisfaction. Together, these foster the third core goal, employment growth for the AbilityOne workforce – the essence of the Agency's mission. Finally, the Commission must maintain its focus on business excellence to ensure that critical processes are executed as effectively and efficiently as possible.

The Commission has considered the policies, strategies, and resources necessary to administer the AbilityOne Program in accordance with the Administration's priorities, our mission and the core goals above, in the context of the planning guidance for budgetary resources provided by the Office of Management and Budget (OMB). This request contains no proposals for changes in the current year

¹ Labor force participation rate: Bureau of Labor Statistics, U.S. Department of Labor. Household Data, Table A-6, August 2014, *Employment status of the civilian population by sex, age, and disability status, not seasonally adjusted* [retrieved September 5, 2014].

budget (FY 2015). The Commission requests \$5.441M for FY 2016, which is neither an increase, nor a decrease from the FY 2015 President's Budget. In recognition of the need to deliver more with less, this funding level is appropriate, as the Commission will continue to look for ways to improve efficacy, increase outcomes, avoid cost increases and reduce fragmentation, overlap, and duplication, as discussed further in this submission.

In developing this budget justification, data currently collected pertaining to jobs created, job reductions, direct labor hours worked, Federal agency expenditures, wages paid and placements made were thoroughly analyzed. AbilityOne Program data shows where employment has been gained, sustained or lost during the past year. Combined with Federal spending analyses, this data tells us which lines of business support the most reliable, highest skilled, highest paying positions for AbilityOne workers, and should be our top areas for expansion. Program data also identifies compliance priorities for the Commission, among participating nonprofit agencies and Federal buying activities. Independent evaluations, such as GAO studies², further identify and inform our needs for enhanced program oversight in the form of written agreements, policies, procedures and audits.

Within the guidance level, the Commission's proposed budget seeks to improve and increase job training and employment initiatives consistent with the principles set forth in the January 30, 2014 *Presidential Memorandum on Job-Driven Training for Workers*. The Commission's Quality Work Environment (QWE) Initiative promotes the sharing of best practices among AbilityOne employers to actively engage with commercial industry, education providers and individuals who are blind or significantly disabled, to identify the supports, services and training needed in order to increase employment options, productivity, career advancement and workplace inclusion. Our Compliance division is responsible for ensuring that AbilityOne employers understand and meet the requirements under the Javits-Wagner-O'Day Act and applicable Agency regulations for employment, vocational training and placement services. It is a principle element of our Agency oversight.

The Agency's workload has shifted over the past few years to involve handling increased legal challenges, addressing outdated policies or procedures, and increasing oversight of complex areas such as contract compliance and distributor compliance. Accordingly, the Commission continues to maximize opportunities to reprogram and retrain existing personnel to focus on oversight, compliance and policy priorities. We intend to reprogram within current resource levels to fund **one new full-time equivalent (FTE)** to assist our General Counsel with legal matters.

Table 1: U.S. AbilityOne Commission Budget Request Summary (\$ Millions)						
Category:	FY 2013 President's Budget	FY 2013 Enacted Post- Sequester	FY 2014 President's Budget	FY 2014 Enacted	FY 2015 President's Budget	FY 2016 Request
Personnel	3.275	3.026	3.275	3.162	3.305	3.405
Benefits	823	815	823	816	837	858
All Other	1.298	1.252	1.298	1.279	1.299	1.178
Total	5.396	\$5.093	5.396	5.257	5.441	5.441

² GAO-13-457, *Enhanced Oversight of the AbilityOne Program Needed*, published May 30, 2013.

At the FY 2016 proposed budget of \$5,441,000, the Commission will operate economically and will reduce costs in non-personnel areas in order to support one additional FTE as noted above. Salary and benefits will account for more than 75 percent of the total budget requested. The Agency will seek efficiencies and savings in operational costs, while leveraging existing levels of resources to perform on-site compliance audits, update policy and regulations, and seek a return to the employment levels we previously achieved for people who are blind/significantly disabled.

The Commission's purpose and statutory duties that require these resources can be summarized as:

- Increasing employment opportunities for people who are blind or have other significant disabilities. (Job Creation)
- Establishing rules, regulations, policies and procedures to assure effective implementation of the Javits-Wagner-O'Day Act and the AbilityOne Program it authorizes. (Job Creation and Program Integrity)
- Monitoring central and participating nonprofit agencies' compliance with the JWOD Act, Commission regulations and procedures [GAO Report GAO-13-457.] (Program Integrity)
- Determining which products and services procured by the Federal Government are suitable to be furnished by persons who are blind or have other significant disabilities employed at qualified nonprofit agencies. (Job Creation)
- Determining and revising fair market prices for items procured by the Federal Government. (Job Creation)
- Informing Federal agencies about employment of people who are blind or significantly disabled and the statutory mandate that items on the Procurement List be purchased from qualified nonprofit agencies employing this population. (Job Creation and Oversight)
- Encouraging and assisting entities of the Federal Government to identify additional products and services that can be provided by people who are blind or have other significant disabilities. (Job Creation)

The Commission has no legislative proposals currently pending.

The AbilityOne Program is a vital thread in the fabric of services and employment opportunities available to this underutilized segment of the population, which includes wounded warriors and other veterans with disabilities. It is imperative that we have the skills, expertise and manpower to (1) fulfill the Commission's obligations to ensure compliance with our law and regulations, (2) fully implement the Government Accountability Office's (GAO) recommendations in report GAO-13-457, and (3) continue to pursue our fundamental employment mission.

Submitted by

E. Ballard
Executive Director & CEO

AUTHORITY, MISSION, VISION AND PROGRAM STRUCTURE

The Javits-Wagner-O'Day Act of 1971, codified at 41 U.S.C. §§8501-8506 and implemented through 41 CFR Chapter 51, establishes the legal authority for the Committee for Purchase From People Who Are Blind or Severely Disabled, which operates as the U.S. AbilityOne Commission. The Commission is an independent Executive Branch agency, with exclusive responsibility for administering this statute and the AbilityOne Program, which is responsible for employing more than 45,000 Americans who are blind or who have other severe disabilities.

The mission of the U.S. AbilityOne Commission and the AbilityOne Program is:

To provide employment opportunities for people who are blind or have other severe disabilities in the manufacture and delivery of products and services to the Federal Government.

The vision of the AbilityOne Program is:

The AbilityOne Program enables all people who are blind or have significant disabilities to achieve their maximum employment potential.

This vision will be realized when:

- ♦ Every person who is blind or significantly disabled and who wants to work is provided an opportunity to be employed productively.
- ♦ Every AbilityOne employee earns not only the Federal minimum wage (or higher applicable state or local minimum wage) but also a living wage and benefits package appropriate to his or her geographic locality.
- ♦ AbilityOne employees are provided the training and development they need to be successful in their current positions, and ultimately achieve their maximum employment potential.
- ♦ Every AbilityOne employee is provided the opportunity, with or without accommodations, to advance to his or her maximum employment potential, including internal or external competitive placement or management and administrative positions.
- ♦ All AbilityOne products and services provide best value to Federal customers, thus earning their continued support and loyalty.

The agency is directed by 15 Commission members appointed by the President. Eleven of these appointees work for and represent other Federal agencies, while four appointees are private citizens representing the employment concerns of people who are blind or significantly disabled. The Commission elects a Chairperson and Vice Chairperson among its members, and the Chairperson is officially the Agency Head. A career member of the Senior Executive Service is the Agency's Executive Director and chief executive officer. The Executive Director leads a full-time civil service staff in performing the day-to-day activities necessary to administer the statute and the AbilityOne Program. The primary functional areas of the Agency are Compliance, Operations, and Policy/Programs, and the Agency is supported by a small cadre of information technology and resource management professionals.

The Presidential appointees, supported by the Commission staff, formulate policy and make decisions regarding legal and administrative matters for the AbilityOne Program. By statute, the Commission members are responsible for additions to and deletions from the Procurement List of products and services delivered by authorized nonprofit agencies employing people who are blind or significantly disabled. Following opportunities for public comment and after due deliberation, the Commission determines which items are suitable for the Procurement List and requires Federal agencies with such requirements to procure them from the nonprofit agency(ies) designated by the Commission.

The enabling legislation provides for the designation of one or more Central Nonprofit Agencies to assist the Commission in administering the statute and the AbilityOne Program. National Industries for the Blind (NIB) and SourceAmerica (serving people with a range of disabilities, formerly known as NISH) have been designated by the Commission to perform these duties. NIB and SourceAmerica are private, not-for-profit organizations that allocate orders and provide other technical and financial assistance to nearly 600 State and local nonprofit agencies that participate in the AbilityOne Program.

An organization chart follows.



Figure 1. AbilityOne Program Organization.

PERFORMANCE GOALS, MEASURES AND INDICATORS

This section of the budget narrative addresses performance planning and reporting by the U.S. AbilityOne Commission, on behalf of the AbilityOne Program, in accordance with the Government Performance and Results Act (GPRA) Modernization Act of 2010. The necessary level of FY 2016 funding to execute the performance plan relative to each goal is discussed below.

The Commission conducted Strategic Planning sessions with the participation of its key stakeholders in FY 2013 to update the AbilityOne Program Strategic Plan for FY 2014-2017. For the Agency, as well as the Program, the mission and vision statements (reflected on page 5 of this document) and core goals were validated and remain the strategic direction for AbilityOne. The Commission and stakeholders then worked to refine shorter-term performance goals, tactics and measures, to ensure that the plan is relevant in today's dynamic business environment and can be readily operationalized.

The core goals for the AbilityOne Program are: (1) Effective Stewardship, (2) Employee and Customer Satisfaction and (3) Employment Growth. The Commission has an additional core goal applicable to the Federal agency, which is (4) Business Excellence. The high priority afforded to the execution of these goals is reflected in the Commission's subcommittee structure. Each of the Commission's four standing subcommittees is devoted to one of the core goals. The Agency uses a dashboard approach to report the progress toward each goal, reviewing and using the relevant data to make recommendations at the subcommittee level for decisions at the full Commission level.

STRATEGIC GOAL 1: EFFECTIVE STEWARDSHIP

AbilityOne Program integrity is paramount, making the Effective Stewardship goal a top priority for the Commission. Effective Stewardship encompasses monitoring and fostering nonprofit agencies' compliance with the statutory and regulatory requirements to participate in the AbilityOne Program, as well as educating and promoting Federal customers' compliance with AbilityOne mandatory source requirements. At the same time, a new area of emphasis within stewardship is enhancing the Commission's oversight of its Central Nonprofit Agencies, in accordance with the recommendations in GAO Report GAO-13-457.

Nonprofit Agency Compliance

The Commission's first performance goal under Stewardship pertains to nonprofit agency oversight and compliance. The goal is for 100 percent of participating nonprofit agencies to be in compliance with applicable laws and regulations to participate in the AbilityOne Program, and the target is for the Commission to complete at least 120 on-site compliance audits of the nonprofit agencies per year. The on-site reviews enhance the information and confidence level associated with the annual compliance certifications the nonprofit agencies submit to the Commission. If 120 on-site audits are consistently achieved each year, the total universe of AbilityOne-participating nonprofit agencies will be reviewed in this capacity over a five year period. Accordingly, the Commission measures its performance of audits and the nonprofit agencies' compliance resulting from those audits.

At the end of FY 2013, approximately 96 percent, or 556 of the total 580 nonprofit agencies were found to be in full compliance through a combination of audits and review of annual certifications.

Table 2: Nonprofit Agency Compliance Results Trend			
	FY 2011 Results	FY 2012 Results	FY 2013 Results
Nonprofits Agencies in Compliance	582/606	575/598	556/580
Percentage (Target 100%)	96.0%	96.2%	95.9%

For the 24 nonprofit agencies that were out of compliance, and had no Commission-authorized exceptions, the reasons varied widely, from surges in commercial or State work, to loss of AbilityOne work, to an inability to recruit sufficient employment candidates with significant disabilities for certain projects. While no clear pattern or particular deficiency emerged, the Agency will continue to educate all nonprofit agencies, disseminating program guidance and following up with those agencies that submitted corrective action plans. The Commission required three nonprofit agencies with repeat non-compliance to present their corrective actions in person, and to explain why the Commission should allow them to remain in the AbilityOne Program. The target remains 100% of nonprofit agencies in compliance for FY 2016.

The primary resources needed to support the nonprofit agency compliance function are staffing, travel dollars and equipment. The Commission reassigned two current employees and hired three new FTEs between FY 2009 and FY 2012 to fully staff the compliance division for nonprofit agency audits. The primary constraint since 2011 has been travel resources, which have been negatively impacted by budget uncertainty, whether delayed by Continuing Resolutions or curtailed due to a lapse or reduction in funding. In FY 2013, the Commission's available funding supported 45 on-site audits, and we project that FY 2014 on-site audits will reach 76. Thus, for the past two years, the Commission has developed some alternative methodologies, such as focusing on local travel until full appropriations were available, and leveraging an electronic ("virtual") audit approach that includes remote records retrieval to facilitate the compliance reviews.

The virtual audit methodology makes it possible to accomplish several aspects of the compliance audit without travel, but presents some challenges. In light of privacy concerns with some documents used in the audit (documentation of an individual's disability, annual evaluations and productivity studies), it was necessary for the Commission to find a way to review sensitive personnel documents without taking possession of them. The Agency identified a program called Dropbox that allows individuals to store a document in the cloud for a temporary period of time, for secure retrieval and review by others. While this proved helpful for some of the information we require, the Dropbox program was not compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and thus was not an appropriate solution for sharing medical or psychological records.

After gaining more than a year's worth of experience with the virtual review process, the Commission determined that while such reviews produce minimally acceptable results, the virtual method is less efficient or effective as the on-site review. Virtual reviews require the nonprofit agencies to scan and upload a large number of documents, substantially increasing the preparation time for a review. Testing also demonstrated that more time is also needed for the compliance specialist to conduct the electronic review; it is much more efficient to leaf through or skim paper files for the necessary information, rather than having to scroll through or read every page in a multi-document PDF file. Finally, the virtual reviews lack face-to-face contact and the ability to gain first-person knowledge of the agency through observation or informal conversation, each of which contributes to the compliance

specialist's thorough understanding of the nonprofit agency's programs and operations, and thus, their evaluation of program compliance.

Notwithstanding these limitations, the Commission found that portions of a compliance review can be performed very effectively through the virtual approach. As a result, during FY 2016 and in future years, the staff will typically perform hybrid audits -- some sections completed virtually, followed by an on-site review of other sections, concluding with in-person exit briefing to discuss the findings and any areas identified for improvement. This methodology will enable the Commission to increase the average number of nonprofit agencies visited during one compliance trip by as much as 50%, without sacrificing quality interaction with the nonprofit agencies undergoing the audits. This hybrid approach maximizes staffing and travel resources while maintaining the validity of the findings.

The Commission is requesting travel funding in this FY 2016 budget request that will enable it to conduct the necessary complement of full audits, spot checks and corrective action visits. It is particularly important for the Commission to conduct investigations when complaints or allegations are received, and to visit struggling nonprofit agencies that are at risk of losing their Program eligibility and/or jeopardizing existing AbilityOne jobs. This budget request also includes adequate funding for supplies, professional subscriptions and training to support implementation of our compliance-related duties.

Authorized Distributor Compliance

Without seeking additional FTEs, the Commission is devoting a greater share of current staff resources to focus on AbilityOne Authorized Distributor compliance. Since 1996, supply system transformation has driven the Government away from operating its own depots and towards contractor support for the distribution of commodity-type items, including a wide range of AbilityOne office, cleaning and industrial supplies. This shift has resulted in the loss of strict Government control over products ordered and fulfilled, and the contractors – even those who complete the Commission's process for authorization to resell AbilityOne items – do not always adhere to business rules for mandatory source products. The GSA multiple award schedules program and similar contract vehicles have resulted in the proliferation of commercial products that are similar to or “essentially the same” (ETS) as mandatory source Procurement List items.

The sale of ETS or non-compliant products, and resulting loss of AbilityOne business, is an evidence-based conclusion. Using GSA sales data and the Commission's approved list of commercial equivalents to AbilityOne Procurement List products, National Industries for the Blind has calculated “buy around” or “leakage” in the range of \$250,000 per month since establishing the methodology in February 2014. The analysis below shows that \$1M in AbilityOne sales were lost through the top 10 noncompliant sellers in just six months of FY 2014. Accordingly, compliance efforts include establishing and implementing new policy and procedures for non-conforming distributors, which the Commission expects to publish for public comment and then as regulation in FY 2015. The lost sales must be recaptured to sustain thousands of AbilityOne manufacturing, assembly and packaging jobs for people who are blind or significantly disabled that are threatened by the reductions in Federal contract spending.

Central Nonprofit Agency Oversight

An additional area of focus for Effective Stewardship is increased oversight of the Central Nonprofit Agencies (CNAs) designated by the Commission to assist in its administration of the AbilityOne

Program. The GAO recommended its report GAO-13-457 that the Commission establish written agreements with National Industries for the Blind and SourceAmerica (formerly NISH) to spell out performance expectations and mechanisms for the Commission to oversee their implementation. Additionally, GAO recommended that the Commission strengthen its oversight of the CNAs' internal controls, to include reviewing the CNAs' various systems audits and potential internal control violations reported by whistleblowers or other mechanisms. This is a different type of compliance function than is currently performed by the staff today, but undeniably appropriate for a program with CNAs that have combined program-related annual revenues of approx. \$100 M. With the aforementioned reprogramming of staff, the efficiencies expected in hybrid virtual and on-site audits, and the three new FTEs proposed for compliance-related duties in FY 2016, the Commission is confident that greater oversight of the CNAs can be successfully performed within this compliance staffing structure.

Legal Support

The Commission requires an additional FTE to assist in handling the complex legal and ethical issues are more prevalent during austere fiscal times when there is a sense of scarcity among Federal contractors. These legal matters are directly relevant to the Effective Stewardship goal as they have bearing on program integrity, statutory or regulatory compliance, or policy implementation. From providing legal reviews of routine and new AbilityOne business, to assisting the Department of Justice on relevant litigation, to supporting the Commission's interest in bid protest matters, the Agency's legal workload has grown considerably in the past five to seven years. This FY 2016 request includes an FTE (offset by reductions in operational costs) to work with the General Counsel, the Commission's sole attorney.

STRATEGIC GOAL 2: EMPLOYEE AND CUSTOMER SATISFACTION

Both employee and customer satisfaction are crucial to accomplishment of the AbilityOne Program's employment mission. The Commission oversees the evaluation of data from these two key stakeholder groups, which include both quantitative and qualitative measures of satisfaction. The Commission and its AbilityOne partners then develop and execute plans to increase satisfaction in the areas where our data and evidence show the greatest opportunity for improvement.

The first strategic objective under this goal is to increase and sustain AbilityOne nonprofit agency **employee satisfaction** through a continuous feedback process, followed by targeted strategies to achieve improvements. A baseline employee satisfaction level was established in 2010, showing an overall AbilityOne Program employee satisfaction rating of 85%, compared to the 68% industry benchmark level³. The AbilityOne Program's Quality Work Environment (QWE) initiative was launched in 2010 to enhance the experience and satisfaction of program employees, and remains the primary methodology to pursue this objective and to increase the satisfaction levels.

³ Source: A random sample of 1,773 AbilityOne employees with significant disabilities and a census survey of 1,262 AbilityOne employees who are blind or visually impaired were asked a combination of satisfaction questions with the results combined and appropriately weighted. The benchmark industry percentage is a weighted average of Towers Watson employee survey results from the cross-section of industry sectors in the U.S., weighted by size and industry using current Census data.

QWE focuses on four key areas: (1) increasing wages through increased productivity, (2) providing navigation to supports, services and training, (3) articulating a defined career ladder for employees, and defining steps to climb the ladder, and (4) ensuring an integrated, engaging workplace culture. Nonprofit agencies that adopt the QWE initiative first conduct self-assessments using a standardized survey, then create and implement action plans, periodically reporting progress to their Central Nonprofit Agencies. Several QWE best practices correlate positively with the elements of job satisfaction most desired by AbilityOne employees, according to employee satisfaction survey results. The results of the most recent employee satisfaction survey, discussed below, have been analyzed in the context of the QWE, to examine whether and how QWE fosters greater satisfaction.

The Commission has a participation-related performance goal for the QWE initiative, expecting to eventually reach full participation by all AbilityOne authorized nonprofit agencies. The target for participation is for nonprofit agencies employing 95% of AbilityOne participants to have achieved at least the first step of the QWE, demonstrated by completion of the self-assessment survey, by the end of 2015. These nonprofit agencies must submit strategic action plans to implement QWE-identified best practices by the end of 2016. This modified target or extended completion date (originally to be achieved by the end of 2013) takes into account the considerable investment of time required to properly conduct QWE self-assessment and action planning, and it focuses the metric around the AbilityOne employees versus the number of nonprofit agencies.

The rate of participation in QWE, plus qualitative results and success stories, are monitored closely by the Commission's Employee and Customer Satisfaction Subcommittee. This data is also presented to the full AbilityOne Commission on a quarterly basis. The following table shows the QWE participation scorecard as of July 1, 2014, based on 580 active AbilityOne nonprofit agencies.

Table 3. QWE Target Tracking for Calendar Year 2014 as of July 1, 2014		
% of AbilityOne Employees Working in NPAs with:	Goal	YTD
Completed QWE Self-assessments	95%	73%
Submitted QWE Action Plans	74%	66%

The QWE initiative was conceived as a voluntary, continuous improvement program. To meet the current participation target, another 22 percent of AbilityOne employees must be covered by QWE, to the self-assessment level, by December 31, 2014. The Commission's next priority is to determine whether 100% participation can be achieved through the voluntary approach, or whether regulatory change is needed to make QWE participation an eligibility requirement for nonprofit agencies in the AbilityOne Program. While the Commission has not established targets for completion of action plans and initiation of further rounds of QWE, we are pleased to note that more than one in five AbilityOne employees (22%) work in nonprofit agencies that have completed a first round of QWE and since embarked on a second or third round of self-assessment and action planning.

With the context and QWE-related information above, the Commission has reviewed the combined results and analysis of the updated employee satisfaction surveys conducted by the Program's Central Nonprofit Agencies (National Industries for the Blind and SourceAmerica) in late 2013.

The first figure below is a bar chart showing the overall satisfaction level for AbilityOne employees who are blind or significantly disabled in 2013, compared to the same group’s results for 2010 and the U.S. National Norm level reported by Towers Watson, a leading global professional services company that conducts employee research and helps organizations improve performance.



Figure 2. AbilityOne Employee Overall Satisfaction - 2013 Results.

In addition to looking at AbilityOne nonprofit agency employees’ overall satisfaction level with their jobs, which demonstrated an increase of nearly two percent since the 2010 benchmark level, and was substantially higher than the U.S. National Norm, the Commission and relevant subcommittee members paid particular attention to satisfaction levels with available training and supports, and with supervisory feedback, as each were identified as opportunities for improvement after the 2010 surveys and each are addressed by core and progressive practices promoted in the QWE initiative.

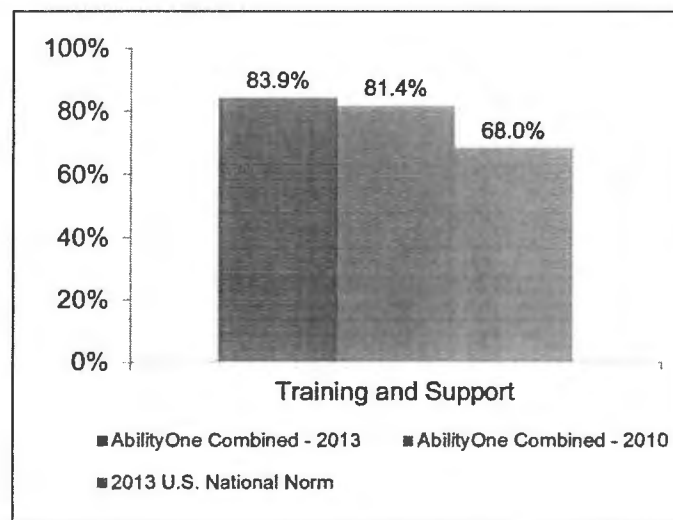


Figure 3. AbilityOne Employee Satisfaction with Training and Support - 2013 Results.

The figure above shows a two-and-a-half percent increase in AbilityOne nonprofit agency employees’ satisfaction with the level of training and supports provided to them to enable them to succeed in their current jobs. The figure below shows nearly a two percent increase in AbilityOne nonprofit agency employees’ satisfaction with the supervisory feedback provided to them relevant to their job performance and ways that it can be improved.

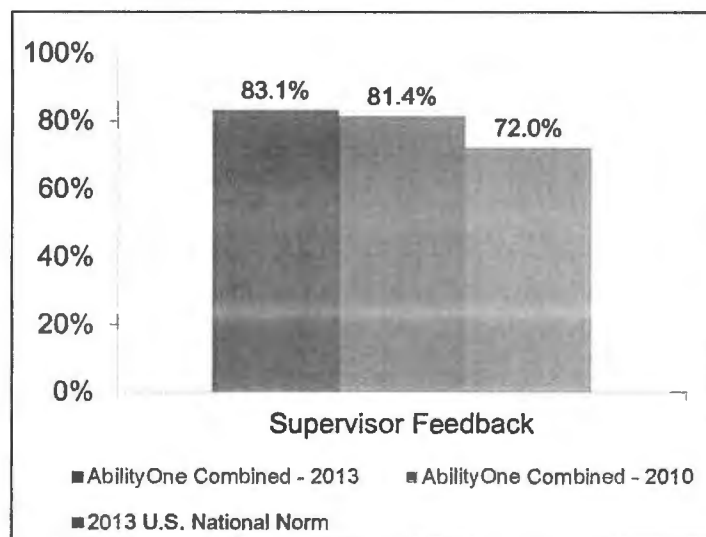


Figure 4. AbilityOne Employee Satisfaction with Supervisor Feedback - 2013 Results.

The 2013 survey results also identified key areas that may be influenced by the continued QWE initiative and present opportunities for improvements over current levels and the U.S. National Norm. Satisfaction with wages is a key area that merits future review. Due to some differences in the survey questions implemented by National Industries for the Blind and SourceAmerica, the Commission does not have an apples-to-apples comparison of employee satisfaction with wages compared to the 51% satisfaction level with wages reported as the U.S. National Norm. In light of this variance, the importance of the wage issue and the President's Executive Order in 2014 that raised the floor for Service Contract Act wages to \$10.10 per hour, the Commission is requesting modest resources in FY 2016 (\$200,000) to conduct a study of the effect of this change on AbilityOne employment and wage-related employee satisfaction. The Commission is not requesting any additional staffing resources to achieve this objective.

The second strategic objective under the satisfaction goal is to increase and sustain AbilityOne **Federal customer satisfaction** at the buyer level and among end-users of products/services. Important on its own, this objective also facilitates the employment mission. A benchmark for buyer level or contracting officer satisfaction was measured via survey in 2011. As reflected in the figure below, 84% reported being satisfied or very satisfied with the AbilityOne Program solutions they have experienced. This data is still being leveraged to improve contracting officers' perceptions of the program, with efforts to gather updated contracting professional perceptions underway in late 2014. We anticipate that refreshing this customer feedback will most likely require more qualitative inquiries, due to limitations placed on the acquisition workforce's participation in quantitative surveys by the Department of Defense (DOD).

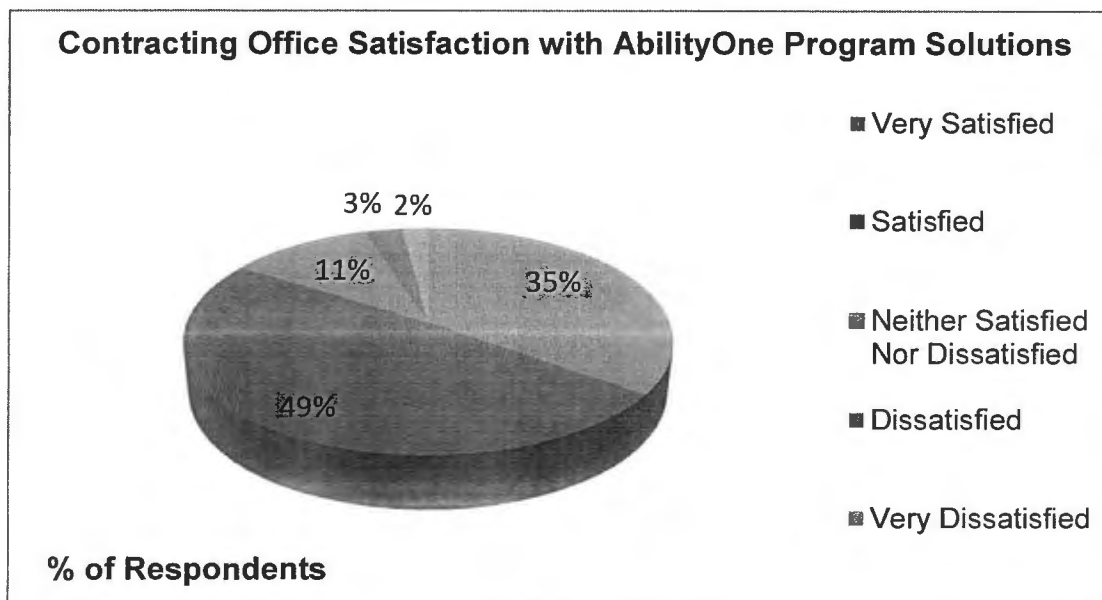


Figure 5. FY 2011 Contracting Professionals Satisfaction Survey Results.

Among the discrete elements of Federal customer satisfaction – quality, timeliness, responsiveness and pricing – the largest opportunity for improvement identified was perceived AbilityOne price competitiveness. In 2013 and 2014, the Commission updated many of its pricing policies, developed pricing manuals and increased the educational and informational materials available to both internal and external stakeholders. The GAO recommended in 2013 [GAO-13-457] that the Commission further enhance the transparency of its pricing policy, procedures and practices, and enhance its oversight of price change negotiations taking place in the field. The Commission plans to implement these recommendations in FY 2014 and FY 2015 through current personnel resources, leveraging existing information technology and providing clear, directional guidance to the Central Nonprofit Agencies for more proactive support in this area.

In FY 2014, the Commission assessed the satisfaction of end-users of AbilityOne products and services, to facilitate the development of specific communications and improvements for that customer segment. Reaching end-users for feedback purposes is challenging, because of their large numbers and geographic dispersion; however, with the support of the Office of Federal Procurement Policy and the Federal Acquisition Institute (FAI), the Agency was able to disseminate a short survey to end-users through the FAI student database.

In particular, pricing perceptions were surveyed, because (1) the lowest area of satisfaction among contracting officers was price-related, (2) the end-users normally provide the funding to the contracting officers, and (3) GAO Report GAO-13-457 recommended that the Commission improve the transparency and understanding of its pricing policies, procedures and practices. The findings below show several key AbilityOne lines of business, and distinguish between survey respondents who were end-users themselves or surrogates for end-users. Surrogates include those who purchase for a group of employees, such as supply room managers, or those who oversee service delivery for a group of employees, such as property managers.

Table 4. Customer Satisfaction Data - AbilityOne 2013 Price Perceptions of Product and Service End-Users or Surrogates

Key Line of Business	Price Perception: End-Users		Price Perception: Surrogates	
	Lower or Much Lower	Higher or Much Higher	Lower or Much Lower	Higher or Much Higher
Writing Instruments	29%	17%	29%	24%
Cleaning and Janitorial Products	26%	22%	17%	28%
Clothing & Textiles	21%	18%	17%	12%
Recycling Services	25%	31%	12%	34%
Custodial/Janitorial Services	17%	26%	18%	36%
Administrative Services	13%	29%	21%	32%
Contract Mgmt Support Services	9%	44%	30%	11%

The survey results show discrepancies in end-users' and surrogates' perceptions of AbilityOne prices, which will be addressed through pricing evaluation and customer communication activities in FY 2015-2016. The Commission plans to execute these activities with current personnel resources and continued assistance from the Central Nonprofit Agencies.

STRATEGIC GOAL 3: EMPLOYMENT GROWTH

The AbilityOne Program's mission is to generate employment opportunities for people who are blind or significantly disabled, so employment growth is an obvious goal and metric for the Commission. The quality of AbilityOne employment is a high priority for the Commission, as discussed under the Employee/Customer Satisfaction goal above. The Commission tracks promotions of people who are blind or significantly disabled, which numbered 441 in FY 2013, as well as competitive placements for AbilityOne employees, numbering 2218 during the fiscal year. Still, the primary measure for the growth goal is quantitative -- the number of direct labor hours worked by AbilityOne employees and the total number of jobs supported by the products and services on the AbilityOne Procurement List.

The Commission's established measures and targets for employment growth segmented by products-related employment (2% increase) and services-related employment (7% increase) were based on Program employment trends during the period prior to the FY 2010-FY 2014 Strategic Plan. However, previous years' employment numbers are lagging indicators, and the unanticipated reductions in Federal agencies' spending on both products and services stemming from the austere budget environment and military drawdown have resulted in lower AbilityOne direct labor hours and jobs, virtually across the board for the past two years. Through the third quarter of FY 2014, the program has experienced even further decreases, particularly as the year began with Sequestration.

Table 5. FY 2013 Employment Results – Second Annual Decrease					
	FY 2011 Results	FY 2012 Results	% Change	FY 2013 Results	% Change
Hours	49,288,796	47,708,432	-3.21%	45,851,212	-3.89%
Jobs	50,580	48,816	-3.49%	47,701	-2.28%

One of the leading indicators often considered by the Commission is the estimated employment created by Procurement List additions during the most recent Fiscal Year. In FY 2013, a total of 156 addition actions created approx. 971 FTEs for people who are blind or significantly disabled, which may provide employment for nearly double that number of individuals, given that AbilityOne employees often work less than a full time schedule. The number of transactions was higher than the previous year, but associated employment positions were down, indicating that the program may not be out of the woods yet in terms of returning to a positive growth trend.

Table 6. Fiscal Year 2011-2013 Procurement List (PL) Additions				
	FY 2011 Results	FY 2012 Results	FY 2013 Results	3-Year Average
PL Additions	151	140	156	154
New FTEs	1359	1205	970	1350

Despite this disappointing finish to FY 2013, the Commission was encouraged by some of the product and service requirements that were added to the AbilityOne Procurement List. Requirements such as IT Help Desk Support for the Defense Manpower Data Center, Hospital Housekeeping for the Bayne-Jones Army Community Hospital at Fort Polk and the manufacturing of Intermediate Weather Outer Layer jackets and trousers for the Army will create and sustain hundreds of high skilled, high paying jobs for AbilityOne employees in FY 2014 and the out-years. These are non-traditional lines of business for the Program, and require the Commission's continued focus on updating business rules and enhancing decision making processes to ensure defensible decisions.

The Commission remains focused on its statutory duty to maintain the AbilityOne Procurement List. Additions of products and services to the list are the lifeblood of the Program. This budget proposal sustains the Commission's current operational staff and information system responsible for maintaining the products, services and employment associated with the Procurement List. These professionals handle routine and complex additions, as well as hundreds of administrative actions including price changes and in-scope modifications each year. Procurement List additions depend on the Program's use of data mining and spend analysis to identify emerging lines of business that can result in the most job creation for individuals who are blind or significantly disabled. For example, we expect IT services, aseptic cleaning, contract closeout services, total facilities maintenance and contact centers to provide large numbers of AbilityOne jobs and direct labor hours in the current budget year and in FY 2016.

To spur employment growth, the Commission has identified the following five strategies:

- Reciprocal purchasing,
- Increased advocacy,
- Preserving current AbilityOne work,
- Reducing "leakage" or buying around the AbilityOne mandate, and
- Serving wounded warriors and veterans with significant disabilities.

First, the Commission is encouraging reciprocal purchasing agreements between AbilityOne participating nonprofit agencies. While this is not technically Federal procurement, it can stretch the positive effect of Federal procurement dollars across the AbilityOne Program, if nonprofit agencies utilize each other's supplies and subcontracting services. A pilot test in the San Antonio, Texas area has demonstrated that nonprofit agencies employing people who are blind and those with other significant disabilities can establish mutually beneficial business arrangements for products and services to help fulfill their AbilityOne projects, their State projects or even their internal needs.

Second, the Commission will increase its advocacy for the AbilityOne Program through communication and outreach at senior levels of the Federal Government, within the acquisition community and among members of the defense industry. Memoranda of support from the highest levels are continuously sought, as they encourage rank-and-file acquisition and requiring offices to partner with the AbilityOne Program. The Commission will work with acquisition leaders to explore how to include purchasing of AbilityOne supplies by commercial prime contractors, and to evaluate the feasibility of an AbilityOne Program utilization goal.

Third, an important complement to employment growth is employment preservation. When there are problems or proposed reductions in AbilityOne contracts, the Commission must reach out and communicate with the Federal customer to identify and understand the underlying issues – budget, performance, personality conflicts or other. While ensuring that Federal customers receive the products, services and levels of quality they require and are paying for, the Commission seeks to resolve business or performance challenges in a manner that retains the jobs for AbilityOne employees who are blind or significantly disabled.

Fourth, the Commission is focusing on how to eliminate “leakage” or buy-around of AbilityOne products to ensure that the Program receives all of the sales it should for Procurement List items. Commodity-type items on the AbilityOne Procurement List, such as office supplies and cleaning products, are particularly vulnerable to leakage or sales lost to equivalent non-AbilityOne items. The Commission partners with its Central Nonprofit Agencies and various Government contracting activities to combat leakage through education, policy implementation and positive influence. Current staff resources are being re-deployed to support these efforts within requesting an additional FTE at this time.

Finally, the Commission will maintain a special emphasis on meeting the employment needs of wounded warriors and other veterans with disabilities during FY 2016. More than 3,000 of current AbilityOne employees are veterans, and about half of those veterans are blind or have other significant disabilities. The AbilityOne Program's research shows that a large number of these veterans are not achieving employment, or are not able to sustain employment, as a result of physical and/or psychological injuries sustained in the defense of our country. We are developing employment opportunities suited to veterans' skill sets and unique assets, such as their possession of, or ability to have reinstated, security clearances which are needed to perform many Federal contracts. The Commission will also continue to explore and promote close coordination with other agencies and programs that support veterans' employment, and will seek to become a liaison or clearinghouse of such information, though it is not requesting additional funding for this purpose in FY 2016.

STRATEGIC GOAL 4: BUSINESS EXCELLENCE

The Commission executes mission-critical business processes with its Central Nonprofit Agencies, participating nonprofit agencies and Federal customers. The strategic objective is to improve the efficiency and efficacy of three critical business processes: (1) the Procurement List addition process, which as discussed above generates employment, (2) fair market pricing policy and procedures, and (3) the Central Nonprofit Agency (CNA) Fee determination and implementation process.

The performance goal for the Procurement List addition process was originally to decrease cycle time 50% during the period of the FY 2010-2014 Strategic Plan. The baseline of likely Procurement List addition cycle time was in excess of 600 days in 2009. Today's dynamic acquisition environment undisputedly demands a shorter cycle time for the AbilityOne Program to be successful. Through a Lean Six Sigma process mapping, diagnosis and implementation of solutions, PL addition cycle time was reduced by more than 25% when FY 2012 transactions were measured.

In FY 2013, two additional process efficiencies were implemented for smaller, non-controversial PL additions that further **reduced cycle time by 14-21 days**. The Commission was able to expand these efficiencies in FY 2014, and shortened cycle time for about two-thirds of the PL additions it considered. These efficiencies were also deployed for deletions from the Procurement List.

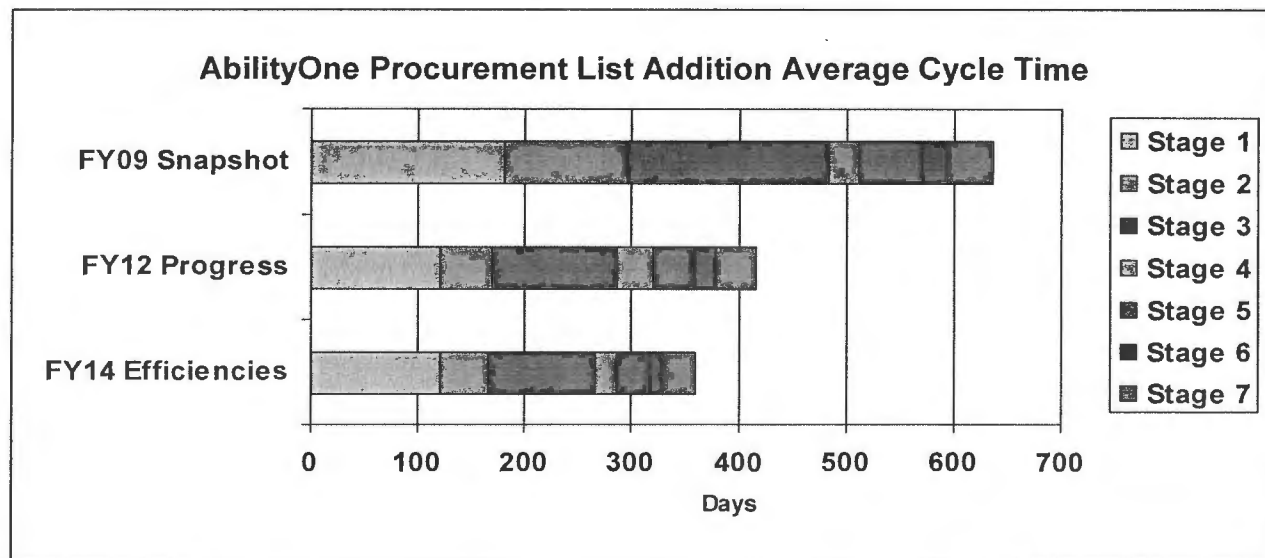


Figure 6. Procurement List Cycle Time Improvement Through FY 2014 YTD

The most significant delays and wait time remaining to be addressed take place in the pricing/costing development and negotiation phase, reflected in Stage 3 in the figure above. By statute, the Commission is responsible for establishing the fair market price (FMP) for products and services on the Procurement List. The performance goal related to pricing is twofold -- both to "lean" the process in terms of improving cycle time 40% by 2015, and evaluating/improving the competitiveness of AbilityOne prices, which will be ongoing through 2016.

GAO's 2013 report [GAO-13-457] recommended that the Commission increase transparency in AbilityOne pricing policies, procedures and practices, and ensure timely reporting of price changes in the field. The Commission adopted the GAO recommendations, which align with execution of the current strategic and performance goals for pricing.

As a means to further provide transparency to the Commission prices, the Commission will publish its policies, procedures, operating manuals, and current Procurement List prices on the agency's website no later than first quarter, FY 2015, and will update them as necessary in FY 2016 and the out-years. This will provide the maximum insight possible to Commission pricing decisions. This will also ensure that all parties, Federal Contracting Activities, Central Nonprofit Agencies, Nonprofit Agencies, Commercial Companies that buy and sell AbilityOne products, and the general public, have access to current Procurement List prices.

The Commission also plans to initiate one or more Federal Acquisition Regulation (FAR) cases in FY 2015 and FY 2016 to update the language in FAR Part 8. For example, the Commission will clarify that Contracting Officer must receive approved pricing from the Commission before a contract is awarded or modified outside of the Commission-approved price or methodology.

As a result of the most recent AbilityOne Strategic Planning and tactical planning sessions, the Agency's senior leaders have challenged the Commission staff to find ways to further and dramatically reduce Procurement List cycle time in order to better serve Federal customers and to grow employment. The operations team is responsible for improvements in the Procurement List processes, with oversight from members of the Commission, and assistance from stakeholders at the Central Nonprofit Agencies. They will continue to pursue innovative procurement strategies to meet performance goals in these areas, without seeking additional resources in FY 2016.

Business excellence has an additional performance goal, which is to oversee and evaluate the collection and use of fee revenues by the Central Nonprofit Agencies (CNA). The CNAs are not funded by appropriations, but similar to a working capital fund, the CNAs receive a small fee paid by the participating nonprofit agencies based on their AbilityOne Program sales, up to the ceiling approved by the Commission. Through quarterly dashboards and annual business plans, the Commission closely monitors their collection of fee-related revenue and expenditure of those resources in the fulfillment of the CNAs' regulatory duties. The Commission considers data demonstrating the levels of compliance and job growth achieved, among other key metrics, in evaluating their efficacy and providing future guidance.

In accordance with the recommendations to strengthen oversight in GAO Report GAO-13-457, the Commission will work with the CNAs during FY 2015 to establish written agreements that clearly state the Commission's performance expectations and measures. The implementation of this goal will likely require regulatory change as well as expertise to negotiate the written agreements. The policy-related FTE proposed under the Stewardship goal will support this Agency requirement. The Commission's regulations currently detail the CNAs' duties, but articulate no evaluation process for those duties, nor any review of the CNAs' internal controls. In light of the critical role played by the CNAs and their combined fee revenues of nearly \$100 million, these regulations and associated policies are an important priority for AbilityOne oversight.

FY 2016 MANAGEMENT-FOCUSED OBJECTIVES

Management Improvement Objective – DSP Review

In late FY 2013, the Agency embarked on an objective to strengthen and improve the programmatic definition of significant disability, the regulatory suitability criteria and the decision-making processes used by the Commission members when they decide to add a product or service to the AbilityOne Program Procurement List. This objective differs from the Lean Six Sigma work pursued under the Business Excellence Strategic Goal area, because it is focused on program integrity and defensibility of decisions rather than process efficiencies.

Known as the Definition, Suitability and Process (DSP) Review, this management improvement objective is intended to clarify ambiguities in the AbilityOne Program's regulatory and policy implementation, particularly around the definition of severe or "significant" disability, which relates to the eligibility of individuals for AbilityOne employment. The DSP's charter also includes better aligning the criteria used to evaluate the suitability of Procurement List additions with the current business environment, and establishing a more consistent documentation approach that will result in stronger administrative records for the Commission's actions.

The objective for the DSP Review is to gather and leverage the expertise of Federal experts – both current Commission members and those not serving on the Commission – plus non-Governmental experts and representatives from the nonprofit agency community to identify policy concepts and best practices for the full Commission's consideration as it updates its decision-making practices. Initial concepts were presented to the Commission in July 2014, and based on those deliverables, the Commission has directed its staff to gather feedback from a broad range of program stakeholders. Ultimately, the Commission will use a public notice-and-comment approach to inform any future regulatory or policy changes.

The DSP Review actions will continue through FY 2015, and may involve a second or third phase review in FY 2016. While the DSP is driven primarily by subject matter expertise more than hard data, it is an important program level review and evaluation of the relevant regulatory, policy and procedural tools used to fulfill the Commission's statutory responsibilities for oversight and Procurement List management. The budgetary impact of the DSP Review is limited to occasional travel resources and additional compensation for the Special Government Employees who serve as private citizen members of the Commission, and is well worth the investment.

IT Investment, Cloud Spending and Cyber Security

Information Technology Overview

Appropriate maintenance and utilization of the Commission's information technology (IT) infrastructure is a continued area of emphasis for the Agency's management. There are no new technological initiatives in development or investments sought for this budget cycle. The Commission neither operates nor uses data centers, and maintains a small IT infrastructure footprint in the form of its own local area network and website server.

The Agency's highest IT priority is to maintain the Procurement List Information Management System (PLIMS) to ensure the Agency's ability to perform mission-critical tasks on a daily basis. PLIMS is the Commission's business information system, developed and launched in FY 2008. Since then, the Agency has made minor enhancements to the system's usability and efficiency, to better support AbilityOne Program business transactions with Federal customers and the Central Nonprofit Agencies. Its accessibility and continuity enables the Commission to increase productivity for staff and to meet government-wide goals for telework. Accordingly, we require programming support to maintain this electronic workflow system, which automates all AbilityOne business transactions, to include collection of compliance reports. This support is obtained through a small dollar value contract (\$195,000), which is slightly lower than the FY 2014 funding level, as a result of negotiated efficiencies for FY 2015 and FY 2016.

The Commission continues to make efficient and effective use of contractors for network support services, as reflected in this budget proposal. It is not advantageous for the Agency to directly hire individuals with the specialized skills needed to provide such technical services, which require frequent updates, training and certifications. However, the Commission regularly competes this requirement and ensures a best value solution is awarded. The cost of this network support will be approximately \$196,000 in FY 2016.

The Commission has a multi-year plan that spreads out hardware expenditures so that the Agency does not face obsolescence of a large share of its infrastructure in any one year. We were unable to implement this multi-year plan in FY 2012-2014, due to the lower level of appropriations received compared to the President's Budget. In FY 2015, the Commission intends to refresh and maintain the minimum hardware infrastructure necessary to fully support its personnel in fulfilling their duties. For FY 2016, it is critical that the Commission have the funding requested to support such equipment and software.

For cyber security, the Commission relies on its interagency agreement with the Department of Homeland Security, National Cyber Security Division. Under this agreement, DHS provides consolidated intrusion detection, incident analysis and cyber response capabilities in the protection and defense of the Commission's external access points and network for a reasonable fee. There are no additional funds requested for cyber security purposes in FY 2016.

Table 7: Information Technology Expenditure and Investment Summary				
Category:	(PY) FY 2014	(CY) FY 2015 Budget	(BY) FY 2016 Request	% Change from FY 2015 Budget
Personnel	1 FTE	1 FTE	1 FTE	0%
Network Maintenance	\$206,000	\$191,000	\$196,000	3%
Information System Programming	\$198,000	\$190,000	\$195,000	3%
Hardware	\$20,000	\$20,000	25,000	25%
Software	\$30,000	\$30,000	36,000	20%
New Investments	\$0	\$0	\$0	0%
Total	1 FTE \$454,000	1 FTE \$440,000	1 FTE \$451,000	2.5%

Cloud Computing Summary

In FY 2014, the U.S. AbilityOne Commission migrated the majority of its physical server architecture to a private, cloud-based virtual server model. This virtual server model has streamlined IT operations by increasing efficiencies associated with leveraging the virtual environment. The result has been reduced costs associated with server maintenance and an increase in Agency end-user efficiency and effectiveness while maintaining the Procurement List. In FY 2015, the Agency will update and streamline IT operations by utilizing the Microsoft Office 365 Government public cloud and create a hybrid/mixed cloud model when it moves its email to this environment. This will enable the Commission to consolidate and share commodity IT functions, resulting in a more efficient use of resources and an enhanced user experience.

For FY 2016, the Agency will evaluate moving its VMware server infrastructure to a public cloud-based computing environment to determine whether it will further reduce our operating costs. The table below reflects the Agency's previous, current and budget year spending on cloud computing in \$ millions as specified by OMB Memorandum A-11, July 25, 2014.

Table 8. Cloud Computing Expenditures FY 2014 – Projected FY 2016			
Type	FY 2014	FY 2015	FY 2016
Public Cloud	0	0	0
Private Cloud	.03 (Virtual machine)	.02 (Virtual Desktop)	.03
Community Cloud	0	0	0
Hybrid Cloud	0	.02 (email server)	.02
Non-Cloud Provisioned Services	0	0	0

Evidence, Evaluation and Innovation

The Commission understands the important role that evidence plays in planning, requesting and justifying resources, and evaluating performance. The Agency has long used program data to assess performance; targets and metrics exist for each of the key performance goals and objectives. Additionally, the Commission reviews this data as a whole annually, and on a quarterly basis through its subcommittee structure. Accordingly, the Commission members have a strong grasp of the Agency's and the AbilityOne Program's performance throughout the fiscal year, and have the ability to make adjustments between strategic planning and reporting periods, as needed.

In particular, the Commission has OMB-approved data collection and annual review processes for nonprofit agencies' compliance with the Javits-Wagner-O'Day Act and the regulatory requirements to qualify for participation in the AbilityOne Program. The Commission uses this information to track employment-related data such as jobs, direct labor hours, wages, promotions and placements that assist it in evaluating AbilityOne Program outcomes. The Commission has implemented a methodology to gather and analyze employee and customer satisfaction data in conjunction with its Central Nonprofit Agencies (CNAs). In the past few years, the Commission has established quarterly review of progress towards its full participation goal for the QWE initiative, and the Commission has executed quarterly scorecard reviews of the CNAs' use of fee-related resources to fulfill their duties and achieve Commission priorities.

The Commission is interested in refining or augmenting these tools to improve program outcomes. One of the needs identified by the Commission during the most recent strategic planning process was to collect more robust data on the performance of AbilityOne product and service contracts once added to the Procurement List; for example, how many jobs or direct labor hours are sustained for people who are blind or significantly disabled on a project level basis? The Commission will consider requesting an expansion of its data collection authority in FY 2016, to potentially gather information from AbilityOne participating nonprofit agencies at the project level and/or to gather nonprofit agencies' small business utilization data on a consistent basis.

Reductions, Savings and Increased Effectiveness

In accordance with OMB Memorandum-13-14, the Commission has reviewed and considered ways to reduce fragmentation, overlap, and duplication, and to increase its effectiveness. As the Commission administers only the Javits-Wagner-O'Day Act and the AbilityOne Program it authorizes, there is no overlap or duplication within the Agency. The Commission has also considered whether its mission and the AbilityOne Program overlap other Federal agencies' employment programs for people with disabilities. The recent GAO Report , GAO-12-342SP, "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," reviewed overlap among Federal programs that relate to or assist individuals with disabilities. GAO included the AbilityOne Program in this review, but did not find any overlap or duplication with other Federal agencies' programs. The Commission creates jobs for its target population through nonprofit agencies and the Federal procurement system, while the other programs studied provide policy, training, grants or other supports, but not direct employment, to people who are blind or have other significant disabilities.

The Commission's primary area of emphasis in process restructuring or reengineering pertains to its electronic workflow and use of telework, which is supported by the Agency's IT infrastructure – local area network (LAN) and laptops or other portable devices. Through telework practices and digitization of its records, the Commission has reduced its requirement for office space, and the anticipated reduction in cost has been incorporated into our FY 2016 budget request. Our adoption of maximum telework flexibility improves program delivery by allowing concurrent review of Procurement List packages and other documents, which shortens overall cycle time. As discussed in the Stewardship goal area, virtual compliance reviews have demonstrated opportunities for early information gathering and efficiencies in the compliance process, though we have determined that some on-site presence is still required for robust, fully effective audits.

The Agency continues to use cost avoidance measures such as redeploying staff resources for temporary or permanent assignments, and reducing the use of consumable supplies such as paper and toner cartridges. In FY 2016, the Commission will continue to use teleconferencing to reduce travel, particularly for non-compliance activities, such as recurring meetings and educational briefings. However, many of the opportunities to reduce the Agency's resource requirements, including deferring certain investments in refreshing hardware or delaying the award of service contracts, have been exploited and will not be available to achieve further cost reductions.

From a resource management standpoint, the Commission leverages the Federal Strategic Sourcing Initiative and other strategic sourcing approaches to obtain the products and services it needs at volume discount pricing. The Commission's human resources and finance requirements are processed by the General Services Administration, which consolidates and handles multiple boards' and commissions' administrative needs on a reimbursable basis. We also leverage contractor support to minimize staffing and training costs in highly technical areas such as IT support services.

As discussed in the Performance section, the Commission regularly monitors progress and effectiveness in meeting its strategic goals, and in 2013, the GAO released its most recent study on the Commission's oversight and effectiveness, GAO Report GAO-13-457. It should be noted that the GAO found no waste, fraud or other critical flaws in the Commission's administration of the AbilityOne Program. The GAO did make recommendations to strengthen AbilityOne Program oversight, and the implementation of those recommendations is discussed throughout this narrative.

ANALYSIS OF RESOURCES REQUESTED

Policy and Funding Priorities

The U.S. AbilityOne Commission administers only one program in terms of policy and funding priorities. Accordingly, these are directly tied to the core AbilityOne strategic goals: effective stewardship, employee and customer satisfaction, and employment growth. Each of these is critical to the mission. This narrative provides justification for the minimum funding level needed to sustain the Agency and its mission -- \$5.441 million.

At the outset, \$5.441 million is the same funding level approved for the Agency in the FY 2015 President's Budget; the Commission is not requesting an increase in appropriation in this FY 2016 justification. However, the \$5.441 requested funding level is absolutely necessary to execute the Commission's most critical priorities for staffing, travel and equipment to support the Agency's nonprofit agency compliance function, its collection and analysis of satisfaction data to improve employees' and customers' experience with the AbilityOne Program, and the day-to-day maintenance of the Procurement List. It is the minimum necessary to support the Program's administrative, legal and policy requirements, and its educational efforts to facilitate the purchase of products and services that create employment for people who are blind or significantly disabled. It is not possible to identify any portion of this baseline request as less than a top priority, because the Agency is very lean in both personnel and non-personnel resources.

In light of the past few years' budget austerity, overall spending reductions and resultant loss of AbilityOne jobs, the Commission respectfully asserts that a funding level of \$5.441 is needed to strengthen and sustain the AbilityOne Program and the constituents it serves through employment. The most critical need is for support to the General Counsel in light of an increasing and complex myriad of legal requirements, protests, legal actions, Presidential appointee decisions and decision appeals. Legal expertise is needed to support the formulation and administration of the Agency's first contracts for Central Nonprofit Agency services required under the JWOD Act and recommended in GAO Report GAO-13-457 "*Enhanced Oversight of the AbilityOne Program Needed.*" Lacking adequate legal review and support, the Agency is at greater risk for nonconformance with laws, regulations and other requirements, to damages from lawsuits or the loss of protests or challenged personnel actions. The Agency may be vulnerable due to inadequate regulations and policy, from both an internal operating standpoint and an external program compliance standpoint.

The next highest funding priority is for the necessary compliance-related resources to protect the integrity and credibility of the Program, and to ensure that Federal agencies properly utilize AbilityOne products and services. As discussed above, the Commission proposes to reprogram and maximize the current level of resources (\$5.441 M) to focus on these critical areas.

Discretionary Funding Targets and Alternate Targets

The Commission's prior year, current year and budget year requests contain no mandatory funding targets. The Congress has not directed any specific allocation of the Agency's appropriation. The discretionary funding targets for the Agency are provided below:

Table 9. Discretionary Targets, in \$ Millions			
	2015 President's Budget	2016 Target (per 2015 Budget)	FY 2016 Request
Personnel (76%)	4.142	4.215	4.263
Non-Personnel (24%)	1.299	1.331	1.178
Total	5.441	5.546	5.441

The Commission's funding level for FY 2015, though published in the President's budget, has not yet been appropriated. However, the Commission believes that funding level is appropriate and a minimum for the Agency's FY 2016 funding level. If the Commission is funded below this requested level, it will be hindered in its ability to successfully execute the crucial oversight and compliance function, as well as its employment growth goal, which comprise its greatest priorities.

Programmatic Increases or Anomalies

The FY 2016 proposed funding level of \$5.441 M does not represent any programmatic increases; it is essentially a flat line request. The proposed addition of an FTE to support the Agency's General Counsel will be offset with reductions in operational expenses.

BUDGET REQUEST BY OBJECT CLASS

Table 10: FY 2016 Budget Request by Object Class (in \$ millions)					
	FY 2013 Post Sequester	FY 2014 President's Budget	FY 2014 Enacted	FY 2015 President's Budget	FY 2016 Guidance Request
Personnel	\$3.026	\$3.275	\$3.162	\$3.305	\$3.405
Benefits	815	823	816	837	858
Travel	75	212	130	151	145
Rent & Communications	553	550	544	455	405
Printing	22	20	20	25	18
Services	534	430	509	584	540
Supplies	33	40	30	35	25
Equipment	35	46	46	49	45
Losses & Claims	0	0	0	0	0
TOTAL	\$5.093	\$5.396	\$5.257	\$5.441	\$5.441

Object Class Narrative for FY 2016 Request:

Salaries and Benefits - \$4,263,000. The Commission has requested funding at the FY 2016 level to allow for one additional FTE that is offset by reductions in other budget classes. Accordingly, the salary and benefits are slightly higher than those requested in FY 2015, but the topline budget request remains static. At the FY 2016 proposed level, salary and benefits represent about 78 percent of the total Agency budget, sufficient to cover the projected workforce of 27 FTEs with fringe benefits. Each of these positions has been reviewed to ensure it is providing the maximum benefit in support of the Agency's priority goals, such as program compliance assurance, employment growth and sustainment, policy development, legal and records management support. Positions will continue to be reviewed and reprogrammed as necessary to most efficiently and effectively promote the mission. This amount also includes four private citizen Commission members who are appointed by the President to represent the interests of individuals who are blind or who have other significant disabilities. These Special Government Employees are paid at the Executive Level IV rate on a per-diem basis when conducting Commission business.

Travel - \$145,000. In accordance with Administration guidance, the Commission has reduced travel expenditures, particularly for meetings and conferences, by approximately 45 percent from the FY 2010 baseline level. No increase in travel dollars is requested in this budget proposal. Instead, the Agency relies on teleconferencing and other electronic media such as webinars in lieu of most in-person meetings and training. However, this budget justification includes funds for the most mission-critical travel, which is primarily compliance and audit-related. The Commission must assess approximately 580 nonprofit agencies' overall compliance with statutory and regulatory requirements, as well as verify the data they report through their annual certifications. As discussed in the Stewardship goal area, efforts are underway to leverage secure data drop sites and to conduct a portion of the standard compliance audit remotely. However, full audits and follow up visits are necessary to fully execute the duties of the compliance function. This budget line includes travel by the private citizen Presidential Appointees serving as Commission members and any travel support required as reasonable accommodations to appointed private citizens with disabilities. While maximizing teleconferences, they must travel to conduct official business, with Federal organizations, organizations within the private disability community, Congress and the Administration. This category also includes minimal mission essential travel for senior leaders.

Rent & Communications- \$405,000. The primary driver of this budget class is the cost of space for the Commission. We have negotiated a smaller footprint at a lower rental cost for FY 2016 and the out-years, which will result in a savings of nearly 20 percent. The remaining funds requested in this budget class are necessary for monthly charges for current telecommunications equipment, which are minimized as much as possible through strategic sourcing. The Commission also maintains wireless phone service, high speed web connectivity and remote access Internet service provider accounts to provide staff members access to network and email accounts while on travel or teleworking. A small portion of this budget category includes standard business expenses for postage, domestic package delivery and teleconference bridge lines.

Printing - \$18,000. In accordance with the Administrative Procedures Act, the Agency continues to have printing costs associated with publishing notices in the Federal Register. This fulfills legal requirements and promotes transparency. The Commission routinely seeks efficiencies in this category and leverages the electronic dissemination of information. The Agency continues to look for opportunities to consolidate and/or minimize the volume of text published in the Federal Register to conserve in this area, and continues to explore web-based publication options to provide more

detailed information to the public. The Commission does not intend to use this budget line to print informational materials or educational collateral which can be disseminated electronically.

Services - \$540,000. As a small Federal agency, the Commission conserves its employee resources and pays GSA to provide administrative support for HR/personnel support, accounting and payroll services. While GSA's total cost for HR and financial support services has increased incrementally, we have not identified any lower cost options for this support, which remains lower than the total cost for a highly skilled FTE. The Commission has two service contracts that support its information technology infrastructure; one for general network support and one for programming of the Agency's information management system. We have explored opportunities to reduce expenses in this area, and received some price reductions from our vendors. During the Sequestration, the Commission revisited its requirements to defer some costs in the IT service area.

The services category also includes services we require to meet statutory requirements. In accordance with FISMA, the Commission must review and report on its security functions on a yearly basis. Similarly, the Accountability of Tax Dollars Act of 2002 requires every agency, regardless of size, to conduct an annual audit of its financial statements. In both of these instances, the Commission procures the services of experts to perform the review functions so that the Commission can then take action to ensure full compliance. This category also funds training and professional development necessary for Commission staff in 2016, which has been reduced about 80% over the last three years.

Supplies and materials - \$25,000. The Commission consistently to target his object class for savings in order to have the necessary funds for higher priority requirements. Staff members continue to reduce office supplies consumption, particularly paper and toner. Spending in this was reduced by more than 30% in FY 2013, and reduced nearly another 10% in FY 2014. We anticipate a conservative spending pattern for supplies again in FY 2015; however, the Agency will have to replenish certain office and operating supplies that have been deferred. In the past two years, the Commission has eliminated the purchase of some non-critical items such as plaques or other nominal tokens presented in the form of awards and recognition. The Commission continues to fund subscriptions to technical reference such as West Law, technical manuals and other publications that enable employees' performance of official duties.

Equipment - \$45,000. The Commission was unable to fully implement its multi-year plan hardware refreshment plan from FY 2012 through FY 2014, due to the lower level of appropriations received compared to the President's Budget. In light of the postponed updates of key employee equipment such as laptop computers, the Commission will need to make some catch-up purchases in FY 2016. The Agency must also purchase the necessary software and licenses for its personnel, as well, which is a fairly consistent cost of \$30,000.

PROPOSED APPROPRIATION LANGUAGE

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

SALARIES AND EXPENSES

For expenses necessary for the Committee for Purchase From People Who Are Blind or Severely Disabled, established by Public Law 92-28 (41 U.S.C. §8501 et. seq.), \$5,440,972.

CONCLUSION

In her September 2, 2014 White House blog posting, Taryn Williams, an Associate Director in the Office of Public Engagement, captured the spirit of the AbilityOne Program's mission perfectly:

"People with disabilities, including significant disabilities, have the skills and talent to make meaningful contributions within America's workplaces. Advancing employment opportunities and expectations for people with disabilities strengthens not only our economy, but also our society. It creates a more inclusive America where people with disabilities benefit from the intrinsic value of work and develop pride in knowing that they too play a role in the growth and success of our Nation."

Ms. Williams noted the Administration's continued commitment to address the persistent barriers to employment faced by Americans who are blind or significantly disabled, and reiterated the focus on providing these individuals with an opportunity to succeed in our nation's workforce. The AbilityOne Program is one of the ways in which the Administration pursues this very worthwhile objective, creating and sustaining more than 45,000 jobs for this population by the end of FY 2014. The Commission's goals, strategies and resulting budget request are well aligned with the Administration's priorities for employment, as well as economic growth, accountability, transparency, and maximization of technology to deliver services efficiently and effectively.

The AbilityOne Program has a proud tradition of maximizing the employment potential of individuals who are blind or significantly disabled. We are proud of our role in reintroducing wounded and otherwise disabled veterans back into the civilian workforce. In FY 2013, more than 3,000 veterans and wounded warriors were employed by AbilityOne Program; with about half of these veterans identifying themselves as having significant disabilities or blindness. The Program generated high skilled, high paying jobs for these individuals in promising lines of business such as information technology, contact centers and total facilities management.

Despite the overall reduction in AbilityOne employment in the last two years, down from a peak of more than 50,000 jobs, we are confident that our program's value to the Federal customer and social benefits present a strong business model, and with the necessary investments, can lead to growth again as the country's financial position stabilizes. However, it is incumbent upon the Commission to position the AbilityOne Program for the future, by protecting its integrity and strengthening its policies and procedures to meet the challenges of the current business environment. We seek to do this through the FY 2016 budget and the strategic and tactical objectives discussed in this narrative. The requested \$5.441 M is a small investment in the AbilityOne workforce, which earned about \$550 million in wages during FY 2013, contributing to their communities, joining the ranks of taxpayers and achieving a greater share of independence. This program is truly a cost-effective way to give people who are blind or significantly disabled a hand-up and an opportunity to earn their share of the American dream.

Appendix A

Financial Management

Though it is a small, independent agency, the Commission accomplishes an important mission that is national in scope – touching the lives of more than 48,000 people who are blind or who have other significant disabilities. It does so without a national infrastructure, and with very limited appropriated funds. The agency's 2014 budget was \$5,257,000. This budget is primarily used to fund salaries and benefits for the Agency's full-time civil service staff and private citizen members, to pay for rent and overhead expenses at the agency's sole office in Arlington, Virginia, and to fund official travel such as on-site audits of nonprofit agencies' compliance with the law and relevant regulations.

The agency's goals, objectives, targets and measures are focused on administration of the AbilityOne Program nationwide. The External Services Branch of the Finance Division at the General Services Administration (GSA) provided financial systems services to the Commission under an interagency agreement during FY 2014, as they have in years past. These include an accounting system, travel, administrative payments; personnel compensation and benefits; and cash collection and deposits. The Commission relied primarily on audits of the Finance Division conducted by the Office of the Inspector General at GSA to uncover material weaknesses in the systems and to ensure that internal control procedures are in place. No material weaknesses have been reported to the Commission by that office.

In FY 2013, independent auditors found the Committee's financial statements presented fairly and the agency's financial position for the fiscal year ended in conformity with generally accepted accounting principles. Additionally, the auditors did not note any deficiencies in internal controls over financial reporting that would qualify as a material weakness. Also, the audit did not disclose any instances of noncompliance with laws or regulations that would be reportable under Government Auditing Standards or the Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended. The agency continues to perform monthly periodic reviews of financial statements against internal control documents to ensure accuracy of transactions between the Committee and our GSA service provider.

Improper Payments Reductions

In accordance with the Improper Payments Information Act of 2002, the Commission reports that it had no significant improper or erroneous payments in FY 2013. As of September 8, 2014, the Commission staff has reviewed and reconciled all FY 2014 payments to date, and has identified no significant improper or erroneous payments in this fiscal year. Therefore, no corrective action is required. The Commission has no grant making authority, makes no payments to beneficiaries, has no unneeded real property and has no debt collection program. The Commission has fewer than eight contracts for services; none in excess of \$210,000 per year, and most are significantly below that threshold. Nearly all of the agency's resources are dedicated to personnel and rent. The Agency is committed to monthly reconciliation of all spending, including payroll, and remains vigilant to prevent improper payments.

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Thursday, March 20, 2014

8:30 a.m.

I. Opening Remarks

Mr. Tony Poleo, Commission Chairperson, called the meeting to order at 8:30 a.m. and made opening remarks. He noted that the last time the full Commission met was in July 2013, due to the government shutdown and several snowstorms. Mr. Poleo began with introductions.

The first order of business was the ceremonial swearing in ceremony for new Commission member, Mr. Harry Hallock, representing the U.S. Department of the Army.

Next, there was a series of recognitions and award presentations. First, Kermit Jones, Chief of Staff, read the names for the recipients of the Chairperson's Award for Leadership, which was presented in May 2013 at the SourceAmerica's Annual Conference to Edward Guthrie, Executive Director at Opportunity Village. The NIB recipient is Michael Gilliam, President and CEO, San Antonio Lighthouse for the Blind, and it will be presented to him at the 2014 NIB Conference in October.

Next, Ms. Lisa Wilusz, U.S. Department of Agriculture representative, joined Mr. Poleo to present Mr. Albert Munoz with the Most Valuable Liaison Award. Mr. Munoz is a USDA Procurement Analyst and has been credited for his leadership to add 65 AbilityOne jobs to the Procurement List. He provided direct support to Ms. Wilusz and collaborated with the CNAs and Commission staff on such projects as the Employee and Customer Satisfaction Subcommittee pilot customer service survey.

Next, Mr. Ruben Filomeno, Director, DLA Troop Support Equal Employment Opportunity and Diversity Management Office, joined Mr. Poleo to present the Outstanding Contributions Award to Mr. Michael Cowley, DLA Equal Employment Opportunity Specialist. Since 2005, Mr. Cowley has been the driving force at DLA Troop Support to promote and accomplish successful AbilityOne Day events, especially during National Disability Employment Awareness Month. Mr. Cowley handles all onsite logistics and publicity. As a result of his efforts, AbilityOne has consistently attracted more than 600 DLA personnel who visit 40 NIB and SourceAmerica nonprofit agency exhibits, as well as 10 NPAs that support people who are blind or have disabilities.

Mr. William Sisk, GSA Commission Member, accepted the Osbourne A. Day AbilityOne Awareness Award on behalf of Ms. Karone Blondin, GSA Industry Relations Manager, Public Building Services. For more than 12 years, Ms. Blondin has overseen the Strategic Alliance

between GSA Public Building Services and the AbilityOne Program. During her tenure, she has facilitated the creation of more than 500 AbilityOne custodial jobs and fostered a long-term mutually beneficial business relationship.

The final award presentation was Ms. Nancy Heimbaugh, former Director of DLA, Acquisition Management. Ms. Heimbaugh, who is newly retired, was bestowed the Commission's highest honor, the E.R. "Dick" Alley Career Achievement Award. During Ms. Heimbaugh's career, she managed field contracting for the Navy Supply Systems Command and DLA that directly led to increased employment for personnel who are blind or have significant disabilities. From 2007-2009, she was the Senior Procurement Executive at DLA Troop Support, which represented over 85 percent of all DLA procurement. During her tenure there, DLA was the number one contributor in the Department of Defense to the AbilityOne Program.

Since 2009, Ms. Heimbaugh was very active in her support of the program which led to an increased number of product purchases by DLA, the creation of DLA AbilityOne project goals, and the awarding of contracts in contract management, warehousing and distribution, package reclamation and help desk services that created nearly 170 jobs.

Mr. Poleo offered his congratulations to all award recipients.

II. Consideration of Minutes

Mr. Poleo asked if there were any changes to the July 11, 2013 minutes. Mr. Anil Lewis, Private Citizen member, made a motion to accept the minutes. A second was received from Ms. Karen McCulloh, Private Citizen, and the minutes were adopted by unanimous vote.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, announced that two Veterans would work with the Commission staff on special assignment. She said SourceAmerica has established a developmental program with KCK, a service-disabled veteran-owned company that helps match veterans with jobs. Through this program, two veterans will be working with the Commission staff, supporting non-inherently governmental program duties beginning in the Spring. Ms. Ballard introduced Mr. Brian Dawson, a Purple Heart recipient, who has received numerous good conduct, achievement and commendation medals from the Marine Corps, Army, and the National Guard, where he is currently serving. Next, Ms. Ballard introduced Mr. Mike Baker, also a Purple Heart recipient, twice over. Mr. Baker has received numerous certificates of commendation, medals, ribbons and a Combat Meritorious Promotion.

Ms. Ballard recognized and thanked Mr. Carlton Kent, one of the principals of KCK and the 16th Sergeant Major of the Marine Corps.

Secondly, Ms. Ballard announced that the FY 2013 Annual Report has been published and is ready for distribution. The theme of this year's report is "Our People", featuring 12 AbilityOne employees. This report concludes the AbilityOne Program's 75th Anniversary campaign.

Ms. Ballard thanked Mr. William Sisk, General Services Administration (GSA), for featuring and dedicating the final edition of GSA's MarkeTips publication to the AbilityOne Program.

Ms. Ballard reported that the Commission Staff is working to implement the GAO's recommendations as stated in the GAO Report of May 2013. The Commission Staff must respond to the five areas of recommendations required by GAO. She said there will be a detailed update on the staff's progress during the May Executive Session at the SourceAmerica Conference. The DSP Group is scheduled to make a briefing at the conference also. They have been making tremendous progress and met yesterday for face-to-face meetings.

Lastly, Ms. Ballard gave an update on Contract Management Services (CMS). She said from June 2010 – September 2013, total jobs for AbilityOne employees were 154 direct labor positions, 105 NIB, 49 at SourceAmerica. This included 27 Vets/Wounded Warriors. They have now processed 168,000 contracts and identified deobligations of 552 Million dollars, with a 99.6 quality rate.

IV. 2013 Performance Results

Mr. Lou Bartalot, Commission staff, reported on the AbilityOne Program's FY 2013 Performance Results. Mr. Bartalot noted it was a down year from a statistical standpoint. Employment decreased 2.3 percent to 47,701 people. He stated that the direct labor hours worked by people who are blind or significantly disabled decreased 3.9 percent resulting in 45,851,212 total hours worked and 22,925 work years. Wages decreased 0.65 percent and resulted in over \$554 million in total wages and an average hourly wage of \$12.09, an increase from last year. However, sales decreased 0.97 percent to \$2.8 million.

Mr. Bartalot said to fully understand what happened in 2013, you have to go below the overall numbers to see that while the big losses were in products; sequestration also had a major effect on services. On the product side, the majority of agencies lost both hours and people. When you look at the agencies that didn't lose hours, you see that most of the increase is by just a few agencies. Also on the services side, there would have been an overall loss in hours and people if it hadn't been for the new services added in 2012 and 2013. Of the 216 agencies with service hours increases, 10 agencies accounted for 61 percent of the increase. Of the 60 agencies with product hour increases, five agencies accounted for 55 percent of the increase.

The real cause of the loss of people was in products. Without the direct labor contributed by services, the loss would have been even worse. In regards to products, NIB had a loss of 3,177 people, down 14.1 percent. SourceAmerica had a loss of 7,685 people, down almost 20 percent. In regards to services, NIB had 1,004 people, up 13.6 percent and SourceAmerica had 35,835 people, up 3.5 percent.

Smallest Agencies for Employment

Mr. Bartalot said the size of the participating AbilityOne nonprofit agencies is not even close to being normally distributed; there are many more small agencies. A similar chart of the total number of employees would look much more like a normal bell curve.

Mr. Bartalot gave a breakdown by employees and hours of the smallest agencies in the program. Mr. Bartalot said twenty SourceAmerica agencies and no NIB agencies had zero AbilityOne employees. He said nine SourceAmerica agencies had just one AbilityOne employee.

Placements and Promotions

In terms of placement and promotions, Mr. Bartalot said 2,218 AbilityOne employees were placed, a 3.12 percent increase which is the second annual increase. The total of all placements by nonprofit agencies was up 6.7 percent also, 1,010 people were promoted into nonsupervisory jobs and 441 individuals were promoted into supervisory jobs. While the 1,010 people was down slightly, it was only six people fewer than from last year's record high.

Mr. Kelly asked what percentage of nonprofit agencies has placement programs. Mr. Bartalot responded that all agencies are required to have their own placement program or have an agreement with another agency to provide placement services. Mr. Bartalot added that non-AbilityOne supervisory promotions were up 15 percent.

Direct Labor Hours

In terms of direct labor hours, there was a decrease of 3.9 percent – 45.8 million hours were worked in FY 2014. Overall, nonprofit agencies associated with NIB were down 9.68 percent. Mr. Bartalot reviewed the top ten SourceAmerica agencies in terms of hours. Six of the ten agencies had a decrease in total hours worked and of the three that worked on products they all had decreases. He noted that Peckham Vocational Industries, Inc. suffered the biggest loss with a total of 491,000 hours and 537 people combined.

Next, Mr. Bartalot reviewed the top 10 NIB agencies for hours and indicated that eight of ten agencies experienced a decrease in total hours worked and also lost product hours.

Wages

The wages of people who are blind or significantly disabled decreased from last year to \$554.1 million. This represented an average hourly wage of \$12.09 an hour. Mr. Bartalot provided an analysis of products versus services and CNA affiliation in regards to the average hourly wage. NIB agencies' wages were a little over \$56 million or \$10.48 an hour, a 4.9 percent decrease in wages and a 5.3 percent increase in the combined average hourly wage. Their service-related average hourly wage was \$14.12. For products, the average was \$9.26. SourceAmerica's nonprofits' wages were just over \$498 million or \$11.94 an hour, a 0.14 percent decrease in total wages paid, but a 3.15% increase in the average hourly wage. Their services wage was \$13.03 an hour, and their products average was \$7.20.

President Obama recently signed an Executive Order that established a wage floor for service contract work, of \$10.10 an hour (minimum wage). In addition, nonprofit agencies that pay a commensurate wage would also pay a minimum wage \$10.10 an hour. Mr. Bartalot said the Commission only collects aggregate level data, so he could not determine exactly how many people would be affected.

The next chart Mr. Bartalot detailed these points. The Executive Order only deals with services, so Mr. Bartalot highlighted that data. He gave a breakdown of the average hourly wage that the nonprofit agencies are paying. He said aggregate level data is collected, so the number of employees shows how many people worked at those agencies that pay each amount. It does not mean that all of the workers were paid in that range. In summary, 59 percent of the people worked at nonprofit agencies that averaged at least \$7.25 per hour for products. On the services side, 88 percent of the people worked at agencies that averaged paying at least \$10.00 per hour. There were 92 agencies that on average pay \$15.00 or more. Roughly, half of the workforce makes \$10-\$15 an hour. Mr. Bartalot said it is also interesting to look at the average hours worked at those agencies per person. As the average pay decreased, the average hours worked decreased also.

Ms. McCulloh asked if Mr. Bartalot had a chance to evaluate when the rules from the Office of Federal Contract Compliance Program were approved, associated with Section 503, to see if that would impact AbilityOne in a positive way or any way at all. Mr. Bartalot responded that he hasn't looked at it yet. Ms. McCulloh said she thinks it will be effective in 2015. Mr. Bartalot said preliminarily, he doesn't believe it will have much of an effect. He said there may be an increase on the staff side.

Mr. Anil Lewis, Private Citizen, stated that the 503 regulations open opportunities for the NPAs to increase their ability to provide transitional placement. Mr. Lewis said his sister started off on a GSA contract and eventually became a GSA federal employee.

In terms of the effects of the \$10.10 Executive Order, Mr. Lewis said it should not be looked upon one-dimensionally. He said anytime there is an increase in the operational cost, there are a variety of different ways of restructuring and reorganizing. It will require some agencies to reevaluate the way that they operate but it is not necessarily doing it justice to say the direct increase in the wage expense will result in impact without considering all the other components. General assertions are being made. Mr. Bartalot agreed with Mr. Lewis' statements.

Ms. Ballard asked John Qua, NIB, to give an update regarding CMS placements and the average salary range. Mr. Qua said the average salary range is \$17.00 - \$21.00 per hour. In terms of placements, Mr. Qua didn't have the exact numbers, but he said around 20 people have been placed in government jobs.

In response to a question from Ms. Ballard regarding employees who make \$5.00 an hour or less, Mr. Dennis Fields, Chief Operating Officer, SourceAmerica, said they have data from the Employee Research System and what they have found is IDD – severe intellectual developmental disabilities. He said Mr. Bartalot was correct in his assessment that these employees, work as a part of their work therapy approach. They require extra supervision and other accommodations. He said he could provide information about the IDD population.

Next, Mr. Bartalot listed the top 10 NIB agencies in terms of products average hourly wage. The top ten NIB agencies' wages range from \$10.51 (The Lighthouse for the Blind, Inc., St. Louis, MO) per hour to \$19.15 (Midwest Enterprises for the Blind, Inc., Kalamazoo, MI) per hour.

The top 10 for SourceAmerica range from \$9.58 (South Texas Housing and Community Development Corp, Inc., San Antonio, TX) per hour to \$12.69 (Industrial Opportunities, Inc., Andrews, NC) an hour.

Mr. Lewis asked if there is any correlation based on the wages to the other statistics you stated earlier. Mr. Bartalot said no, he did not find a correlation. A lot of factors affect the statistics: type of work, how sophisticated the production is; increase in hours, hours worked and average hourly wage; etc.

Mr. Poleo asked about 10 agencies tight range in average hourly wage. Mr. Bartalot visited Midwest and it is very small. The top two are the smallest on the list and the work is not sophisticated.

Mr. Lynch said one of the things NIB does at the agency level is look on the products side you have to look at commensurate wages for similar work in that local area.

Mr. Hallock said the prevailing wages are often unionized in places such as the Midwest.

In terms of services average hourly wage, the top SourceAmerica agencies ranged from \$19.07 (Solano Diversified Services, Vallejo, CA) per hour to \$24.21 (Able Forces, Inc. – Front Royal, VA) an hour. Services for NIB range from \$17.00 (VisionCorps, Lancaster, PA) per hour to \$24.96 (Vision Rehabilitations Services of Georgia, Smyrna, GA) an hour.

AbilityOne Sales

Mr. Bartalot said total program sales decreased to \$2,832,508,155 from last year. Services sales increased almost 5.75 percent to \$1.864 billion. Products decreased by 11.8 percent to 7.35 percent to \$968 million. NIB agencies' total AbilityOne sales were \$614.8 million, an 8.72 percent decrease and SourceAmerica agencies' total AbilityOne sales were \$2.2 billion, a 1.42 percent increase. Base Supply Center (BSC) sales decreased 13.9 percent to \$362 million.

He said product sales are down 27 percent from the high in 2011 and BSC sales are down 25 percent from the high in 2010.

Products vs. Services Sales

In 1984, product sales were \$203 million and it took 15 years for them to double, reaching \$419 million in 1999. Sales increased at a much faster pace in the next two years reaching \$529 million in 2001. Sales increased dramatically beginning in 2002 through 2005, when sales reached \$1.12 billion more than doubling 2001 sales. In 2006, there was a slight decrease, but then in 2007, a 14 percent decrease to \$960 million. Sales then increased for the next four years reaching \$1.33 billion in 2011. Sales have decreased significantly in both 2012 and 2013 with 2013 sales off 27 percent from the peak in 2011.

Service sales present a different picture, Mr. Bartalot said. He said service sales have increased every year since 1984. In 1984, service sales were \$46.9 million and by 1996 had exceeded

product sales for the first time. While it took 15 years for product sales to double, in the same 15 years; service sales increased 11 fold. Service sales in 2013 were \$1.86 billion, more than tripling the 1999 sales in services.

Federal Agency Sales

Mr. Bartalot reported that the Army remained AbilityOne's largest customer agency for the third consecutive year. Army sales increased 3.6 percent and they represented almost 20 percent of 2013 program sales. DLA was second with 14.7 percent of sales followed by the Navy, Air Force and GSA. Mr. Bartalot reviewed the remaining agencies that were under five percent of sales.

Distribution channels are comprised of sales from nonprofit agencies directly to the base supply centers or the wholesale distributors. This was the first time that distribution sales exceeded sales to the GSA-FAS.

There were 15 federal agencies that had increases, with five of them having Commission members. There were also 15 agencies that had a decrease in sales from 2012, with five of them having Commission members.

Mr. Bartalot gave a breakdown of each agency represented by Commission members.

Overall Direct Labor Ratio

Mr. Bartalot said the overall direct labor ratio average for the Program was 83.35 percent, a slight decrease from last year. He said there were 28 agencies with overall ratios below 75 percent, up one from last year (22 SourceAmerica/6 NIB agencies). There were three agencies from SourceAmerica that had approved surge requirements. There were two SourceAmerica agencies below ratio for two consecutive years, and three agencies below ratio for three consecutive years.

Some of the reasons why agencies were under ratio included agencies that were involved in non-AbilityOne (commercial) work, management and financial issues, personnel and referral issues, surges and phase-ins, and a number of other issues. Mr. Bartalot highlighted the agencies that were under ratio.

The next charts Mr. Bartalot reviewed listed the nonprofits below 75 percent in terms of agency, location, overall ratio, percentage of AbilityOne work, AbilityOne ratio and the number of AbilityOne workers. He named the agencies that have decided to leave the Program.

In terms of AbilityOne Direct Labor, the program-wide ratio was 79.77 percent, a slight decrease of 0.70 percent, and the second consecutive decrease. Eight agencies were below 60 percent, a decrease of one agency from FY 2012. He also said there were a total of 47 nonprofit agencies with AbilityOne ratios below 75 percent, up one from FY 2012.

Mr. Bartalot highlighted those nonprofits that had below an AbilityOne ratio below 60 percent, a general minimum standard often used by the Commission, in terms of agency, location, AbilityOne ratio, AbilityOne total hours, AbilityOne workers and overall ratio. Half of the agencies also had overall ratios below 75 percent.

The Chicago Lighthouse for the Blind is investigating setting up a related corporation to do a state use contract for a call center to distribute EZ-Passes. This project will generate 300 jobs and employ 45 AbilityOne workers.

Non-AbilityOne Work

Mr. Bartalot gave a summary of non-AbilityOne work results of the reporting nonprofit agencies for hours, people, promotions, placements, direct placements and sales. He stated that hours, people, and sales were all down. He said over time AbilityOne has grown to be a more significant portion of the agencies' work.

In 1989, AbilityOne represented about 26 percent of the hours and people and sales were about 49 percent. In 2013, AbilityOne hours represented almost fifty percent of the total agency hours while people were only 36 percent and sales was at 58 percent.

Summary

In summary, Mr. Bartalot gave the numbers for the Program in terms of hours, people, promotions, placements, wages and sales. Mr. Bartalot said the hours for FY 2014 were 45.8 million, a change of 3.89 percent.

Mr. Bartalot said the top four items that resulted from the Strategic Planning "Big Tent" meeting were to shorten the procurement list cycle time, to remove self-imposed barriers, to establish new lines of business, and to strengthen program advocacy.

Mr. Poleo asked the CNAs if they have experience a leveling of decreases on the products side. Mr. Kevin Lynch, President and CEO, National Industries for the Blind (NIB) replied that NIB is still experiencing decreases and Ms. Elizabeth Goodman, Chief Financial Officer, agreed that the same is happening at SourceAmerica and it is becoming the new normal. Mr. Lynch said NIB is experiencing customers holding back from purchasing products. Mr. Sisk said things are leveling off from GSA's perspective.

V. CNA Reports

NIB

Mr. Kevin Lynch, President and CEO of National Industries for the Blind (NIB), provided an update on current business activities at NIB. He began with an update on the impact of Afghan First/Central Asia purchasing. He said fourteen NIB agencies were negatively impacted, with 79,263 blind direct labor hours lost. NIB's outreach to date includes GSA, DoD, CENTCOM, Sen. Landrieu, and TWI, the vendor overseeing the program. The response received to-date

from DoD and GSA is that the program is ramping down and will not be modified. GSA and TWI both indicated orders are down substantially. Going forward, NIB is focusing its actions to prevent expansion of AbilityOne products in current and future programs. NIB is continuing to work with GSA to increase marketing of impacted products, and is engaging Afghan First supply contractors. Mr. Lynch concluded this part of his update by asking the Commission to enforce the purchase exception process. Mr. Bill Sisk, GSA Commission Member, noted that the program is almost nonexistent now, and said GSA did speak with NIB and the Commission in 2009 about the situation. Mr. Poleo observed that this is an example of competing national interests, and suggested talking to DLA and senior Army procurement staff to draft some provisions or rules of engagement for the next time this circumstance comes along.

Mr. Lynch continued with a brief overview of NIB's business results, referring back to Mr. Bartalot's earlier presentation. He noted that NIB's lines of business are tracking about the same the first five months of this year as they did the end of FY 2013. Mr. Lynch continued with an update on the current business environment, observing that part of what NIB is seeing are federal agencies having fewer dollars to spend, so there is substantial pressure on price. As a result, NIB agencies are forced to change their business models, including becoming more efficient, which typically affects employment first. Mr. Poleo commented that his boss asks contractors for things DLA asks of them that are non-value-add that could be eliminated or reduced to get costs down, and would recommend AbilityOne nonprofits share that information with DLA/Army/other federal customers. Mr. Harry Hallock, Army representative, observed that many of the cost-adding activities are self-imposed. He anticipates FY 2015 to be the Army's worst year. Mr. Hallock also noted that contract obligations have gone down 20 percent over the past two years.

Mr. Lynch also briefed the Commission on the latest issues with GSA sourcing, beginning with the aggressive timeline GSA is following to close its remaining two depots, which account for \$130 million of NIB's AbilityOne business and 68 percent of GSA business. Mr. Lynch also highlighted GSA's Strategic Sourcing initiatives, noting NIB is working with the Commission staff to ensure all Strategic Sourcing initiatives fully support the JWOD legislation. He added NIB is continuing to pursue improved contractor compliance with ETS, and concluded by sharing NIB is pursuing a solution to assume GSA depot distribution of AbilityOne products. Mr. Sisk commented that going forward, when GSA receives orders for AbilityOne products, they will still be fulfilled with AbilityOne products. Mr. Lynch responded with appreciation for Mr. Sisk's comments, but expressed concerns about the track record of switching from government to for-profit commercial vendors.

SourceAmerica

Ms. Elizabeth Goodman, Chief Financial Officer, SourceAmerica, presented on behalf of Mr. E. Robert Chamberlin, President & CEO. Ms. Goodman said Mr. Bartalot covered the majority of her report during his presentation, but she would highlight some key points. First, Ms. Goodman discussed job losses.

Ms. Goodman discussed statistics for people employed. Their total employment in FY 13 was 43,526, broken down to 35,841 for services and 7,685 for products. She said there has been a slow uptick in sales.

Next, Ms. Goodman discussed the Non-AbilityOne Direct Labor Hours. For FY 2013, there were 44.8 million non-AbilityOne Direct Labor Hours and \$1.3 million non-AbilityOne sales.

SourceAmerica has experienced great success with the QWE Initiative. While there is a large number of agencies with small employment numbers, Ms. Goodman reported 248 agencies completed self-assessment, which is 80 percent of the goal and 69 percent have developed action plans, a total of 181.

Ms. Goodman described the current business environment. She said some of the general factors are unemployment remains high, there are tight budget constraints, new work and new customers are moving towards non-civilian agencies. There are opportunities for new business lines.

There has been a drawdown in Iraq and Afghanistan, funding instability and a recent Bloomberg Report says contracts are down 48 percent in the Pentagon.

The impact on SourceAmerica was budget reductions in FY 2013 equaling \$155 million (3,000 jobs). The impact of sequestration during the government shutdown was very large. The number of jobs impacted was 7,000 and when you think in terms of two people per job, the number increases to 14,000.

Next, Ms. Goodman spoke about what SourceAmerica is proactively doing to compete in this challenging environment exploring innovative and diverse employment solutions. One solution is to focus on Non-AbilityOne work and Non-Federal work for services and products. Another solution is to focus on services and projects to grow capability and capacity.

SourceAmerica is partnering with commercial companies to help grow employees. She spoke about the UPS franchising arrangement SourceAmerica is pursuing. SourceAmerica is also teaming up with REDF/KKR to partner with CPAs to get local contracts.

The next area Ms. Goodman discussed was enhancing performance excellence. There were nine highly attended trainings across the country that covered policy, procedures and the evaluation process. There were webinars that discussed standard government processes. SourceAmerica is also implementing enterprise resource planning, software solutions, and enhancing their Front Office Application (FOA) for PLIMS Transactions. SourceAmerica is achieving recognition as a national leader in employment for people with significant disabilities, partnered with the National Nonprofit agencies to deliver training to hundreds on Section 503 Requirements and opportunities.

The Annual AbilityOne Design Challenge was a huge success this year, according to Ms. Goodman. Participation has grown to 88 teams throughout the country, including Hawaii. High school and college students compete to develop technology solutions to barriers in employment. The keynote speaker for the Design Challenge was Colonel Gadson, Garrison

Commander at the U.S. Army Ft. Belvoir, VA. Col. Gadson is a double amputee and a very inspirational speaker who continues to speak for Wounded Warriors. This year's winning design was called The Path by Wethersfield High School, Wethersfield, CT. The competition was widely attended by an array of organizations and there was media coverage from television and newspaper sources. Ms. Goodman expressed her appreciation for the Commission staff's participation in this outreach effort.

VI. Subcommittee Reports

Stewardship

Mr. Lou Bartalot, Commission Staff, presented on behalf of Mr. Paul Laird, Chair. First, Mr. Bartalot introduced the subcommittee members and staff. Mr. Bartalot reviewed the FY 2013 accomplishments that included the review of Commission staff compliance visit results and procedures. He said there were only 60 visits in 2013 due to sequestration. The subcommittee reviewed and approved a virtual review methodology and reviewed the self-audit plan and form for agencies to complete their own audits.

The subcommittee also assisted staff in developing a policy to cover complaints received by employees of nonprofit agencies, and the group also reviewed a proposal submitted by nonprofit an executive director to utilize SSI/SSDI information to validate nonprofit medical documentation.

Next, Mr. Bartalot discussed the 2014 way ahead. The subcommittee plans to follow up with staff on investigating the use of SSI/SSDI information for validating medical documentation and to complete development of policy covering complaints from employees of nonprofit agencies.

Employee/Customer Satisfaction

Ms. Lisa Wilusz, Chair, Employee and Customer Satisfaction introduced her subcommittee members. First, Ms. Wilusz gave the FY 2013 accomplishments for employee satisfaction. In October 2012, the Commission approved extension of QWE target dates for the completion of NPA self-assessments to December 2014. NIB has a goal of 100 percent of employees who are blind to complete the self-assessments and currently 58 percent of employees have done so. SourceAmerica has a goal of 95 percent and currently 80 percent of their employees with other significant disabilities have completed their self-assessments.

Ms. Wilusz said dialog has begun regarding making QWE mandatory if a voluntary approach does not achieve expected results. She also reported that the tri-annual employee satisfaction surveys were conducted by CNAs and the subcommittee received briefings from Mr. Martin Gerry, SourceAmerica Institute, on tracking AbilityOne wages via SourceAmerica's Employee Research System, and the annual promotion and placement data and Pathways to Careers pilot project.

In the January 2014 meeting, the subcommittee met to discuss mandatory participation with the QWE Steering Group Chair and Vice Chair. Mr. John Miller, Chair, spoke to the group and a

consensus was reached to stay on course and monitor progress for their current targets. They also agreed to add AbilityOne employee representatives to the QWE Steering Group and to invite NPA CEOs who are not currently participating in QWE to brief the Commission on the reasons they do not want to participate and figure out ways to modify the approach so they may participate.

Other steps to the FY 2014 way ahead include learning more about customized employment, the Pathways to Careers pilot for possible program improvements with a May briefing to the Commission and identify impact of QWE and action items for areas of improvement in results of employee satisfaction surveys.

Next, Ms. Wilusz reviewed the FY 2013 accomplishments for Customer Satisfaction which included completion of a USDA pilot survey, following end-users by using FAI's civilian agency database. Mr. Munoz, Mr. Wiesler, and Mr. Acham were all instrumental in getting those surveys completed. The results were very positive.

Ms. Wilusz said the CNA Surveys also obtained feedback from AbilityOne Catalog users and GSA conference attendees. The subcommittee discussed ways to communicate better with customers about AbilityOne prices and savings to the Government. They also received briefings from NIB and SourceAmerica subject matter experts on the pricing of common use custodial products and services and ways to reduce cost without compromising quality.

The subcommittee also provided feedback to SourceAmerica for a pilot brochure distributed to USDA and VA on program savings to the government. There is total savings to the government when the government partners with an AbilityOne provider.

Ms. Wilusz outlined steps for the way ahead in FY 2014. The CNAs will repeat the 2011 survey of federal contracting personnel. Work with FAI and DoD on future surveys using their databases, continue efforts to identify new ways to survey end-users, monitor feedback received from SourceAmerica pilot brochure on program savings to the Government and identify ways to improve communication on program savings and pricing.

Mr. Hallock asked if feedback is provided back to the government agencies that are surveyed. Ms. Wilusz responded that the CAOC has provided feedback but she was not certain of the breakdown. She said she would find out and get back to Mr. Hallock. Mr. Hallock said the results would be helpful with perception issues. Ms. Wilusz said she would provide the results to all the Commission members.

Employment Growth

Mr. James Kesteloot, Chair, Employment Growth Subcommittee welcomed Mr. Hallock to the subcommittee as the newest member and introduced all members and staff. Mr. Kesteloot described the FY 2013 accomplishments which included the continued tracking of product and services growth against the two and seven percent goals, encouraged all Commission members to engage and meet with Senior Procurement Executives to advocate for the Program, tracked and monitored ETS purchases. The subcommittee also invited CEOs from NIB and SourceAmerica

agencies to discuss impacts of budget austerity and discussed ideas on how they could adjust to austerity and the subcommittee talked about ways to mitigate the impact of austerity. The group also issued a mutual (reciprocal) purchase memo that was sent to NIB and SourceAmerica. Mr. Kesteloot said the agencies should be buying AbilityOne products and services.

Next, Mr. Kesteloot outlined the way ahead for FY 2014. He said the subcommittee would continue to monitor and track growth in Products and Services against goals. At the next meeting, the subcommittee will discuss modifying goals in this time of austerity. Mr. Kesteloot would like to engage the White House by obtaining a White House letter of support, increase NPA/CRP reciprocal buying, continue to purchase ETS reductions, and explore how to get AbilityOne products and services into Federal contracts, and evaluating the feasibility of a statutory Program-wide goal.

Ms. McCulloh inquired about reciprocal buying and how it was communicated. Mr. Kesteloot said a draft memo was sent to NPAs by NIB and SourceAmerica.

Business Excellence

Mr. William Sisk, Chair of the Business Excellence Subcommittee, presented FY 2013 accomplishments. First, he introduced the subcommittee members and staff. Mr. Sisk discussed the group's accomplishments included reviewing of the CNA Quarterly dashboards for performance and fee utilization, monitoring impact of budget austerity and sequestration on sales and jobs; and reviewing Information Technology (IT) InterOperability between Commission and CNAs. The subcommittee also monitored pricing process initiatives and initiated review of BSC Program oversight and pricing.

For the FY 2014 way ahead the subcommittee plans to review business plans and establish CNA fee ceilings for FY 15-17, identify aggressive reductions in procurement list cycle time, and refine guidance for CNA's Nonprofit Agency Recommendations for Procurement List opportunities. The subcommittee plans to also focus on improving transparency, timeliness and perceptions of AbilityOne Pricing and to complete the review of BSC Program oversight and pricing.

Mr. E. Robert Chamberlin, President & CEO, SourceAmerica, joined the Commission Meeting after returning from a trip.

Mr. Chamberlin responded to Ms. McCulloh and Mr. Kesteloot regarding the purchasing of goods and services amongst the agencies. He said there is a group that includes Mr. Lynch of NIB, the head of the NAEPB, as well as the head of National Council of SourceAmerica Employers. The group has discussed many topics but that has been the most successful. He said they have good, strong examples of where it is working, but not as fast as they would like.

NIB, SourceAmerica, and the Commission all participated in an all-day session in Virginia Beach in the Norfolk/Virginia Beach, VA area. The mayor of Virginia Beach attended the dinner and proclaimed AbilityOne Day in Virginia Beach. Ms. Nancy Myrick, Commission staff, participated on the panel and did an excellent job.

Mr. Chamberlin explained that he was late because he just returned from the Grand Opening of a CRP that opened a new facility on yesterday in Indiana. Mr. Chamberlin said he had an opportunity to talk to several of the employees there and there were some government people, and a QAR inspector there. The QAR inspector examines the quality of the products produced there. The inspector said the quality is as high a level as he's seen. Mr. Poleo said some important things we do control such as performance, time-delivery and quality.

IX. Closing Remarks

Mr. Poleo encouraged the members to attend the 2014 SourceAmerica Training and Achievement Conference in San Diego, California. He said the next full Commission meeting is scheduled for May 7th. After determining there was no further business, Mr. Poleo adjourned the meeting at 11:20 am and the members went into an Executive Session.

List of Attendees – March 20, 2014

Committee Members

Perry E. Anthony	Department of Education
Jan Frye	Department of Veterans Affairs
Harry Hallock	U.S. Department of the Army
Anil Lewis	Private Citizen
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
William Sisk	General Services Administration
Lisa Wilusz	U.S. Department of Agriculture

Commission Staff

Tina Ballard
Lou Bartalot
Robert Hartt
Amy Jensen
Kermit Jones
Stephanie Lesko
Dennis Lockard
Nancy Myrick
Angela Phifer
George Selby
Edward Yang
Kimberly Zeich

SourceAmerica

Mike Baker
Brian Dawson
E. Robert Chamberlin
Dennis Fields
Nancyellen Gentile
Martin Gerry
Elizabeth Goodman
Patty Pappas
Martin Williams

NIB

Steve Brice
Angela Hartley
Jill Johnson
Heather Lyons
Kevin Lynch
John Qua

NIB (Continued)

Marie-France Vareilles
Matt Wieseler

Government Representatives/Staffers

Michael Cowley	DLA
Ruben Filomeno	DLA
Felicia Harvey	U.S. Department of the Army
Eve Hill	U.S. Department of Justice
Serena Lowe	U.S. Department of Labor/ODEP
Albert Munoz	U.S. Department of Agriculture
Steven Nelson	U.S. Department of Agriculture
William Sproule	U.S. Department of the Air Force

Other Attendees

Dan Boucher	Winston Salem IFB
Nancy Heimbaugh	Private Citizen (formerly of DLA)
David Horton	Winston Salem IFB
Carlton Kent	KCK
Barbara Kesteloot	Private Citizen
John Mitchell	Cincinnati Association for the Blind and Visually Impaired (CABVI)/NAEPB
Dennis Steiner	VisionCorps/NAEPB
Laura Walling	Goodwill Industries International

FINAL MINUTES

U.S. ABILITYONE COMMISSION

San Diego, CA

Thursday, May 7, 2014

2:00 p.m.

I. Opening Remarks

Commission Vice Chairperson, Mr. James Kesteloot, called the meeting to order at 2:30 pm and asked Mr. J. Anthony Poleo, Commission Chairperson, if he had any opening remarks. Mr. Poleo apologized for not being able to attend the meeting in person, and announced that Mr. Kesteloot would run the meeting since Mr. Poleo was participating telephonically. Mr. Kesteloot thanked and congratulated the SourceAmerica staff on putting together a great conference. Mr. Kesteloot asked that introductions be made.

The first order of business was the ceremonial swearing in of new Commission member, Mr. Thomas Robinson, representing the U.S. Department of the Air Force. Mr. Kesteloot asked Mr. Kermit Jones, Chief of Staff, to read Mr. Robinson's biography before administering the Oath of Office.

II. Consideration of Minutes

Ms. Angela Phifer, Commission Executive Assistant, stated that there was a change in the minutes submitted by Mr. Poleo. Mr. Poleo wanted to delete the last sentence in the first paragraph of page 9 of the NIB Report. Mr. Anil Lewis, Private Citizen said there was an instance where Mr. Lynch referenced "commensurate wages" and it should be changed to "prevailing wages". Mr. Robert Kelly, Private Citizen made a motion to accept the minutes with the proposed changes. A second was received from Ms. Karen McCulloh, Private Citizen, and the minutes were adopted by unanimous vote.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, thanked Mr. Chamberlin and the SourceAmerica staff for a great conference. She said she appreciated the opportunity to meet with agency CEOs and participate in Listen and Learn sessions while at the conference.

Ms. Ballard said she would make her Executive Director's Report an answer to a question that has been on the minds of many, ***"Is the Commission staff timid in advancing Procurement List additions since the Yakima/SA-Tech case?"*** Ms. Ballard reinforced her position following the Yakima decision and reassured everyone that the Commission staff would not be timid regarding advancement of Procurement List additions, but thoughtful. She said the Commission staff has to be especially thoughtful and ensure it makes sound recommendations. She said to act

impulsively results in failure, and failure is not an option for the community of people served by the Commission.

Ms. Ballard said she had experienced her first significant court case during her tenure as Executive Director in 2012 with the Yakima case. She said the judge made some interesting comments and it has affected the Commission's approach to Procurement List Additions and documents associated with it. She emphasized that protests are up across the government because dollars are down, so the program is not unique in its experience.

Ms. Ballard said the Commission is preparing for its first significant litigation in the Court of Federal Claims since the Yakima decision. She believes the Commission staff has put forth the best record possible to be submitted to the Court of Federal Claims. She said the Commission is not timid, but thoughtful, and we are looking to prevail. Ms. Ballard said if, by chance, the Commission is not successful, we will highly recommend that an appeal be made.

IV. CNA Reports

NIB

Mr. Kevin Lynch, President and CEO of National Industries for the Blind (NIB), provided an update on current business activities at NIB. He said they are still collecting the first half hourly numbers and they will have them at the end of the month. Mr. Lynch plans to give a report on employment hours during the next full Commission meeting.

Mr. Lynch discussed the challenges that NIB is facing and presented a comparison of 2013 versus 2014 in terms of year to date sales. He said the overall sales are still tracking below last year's sales by about \$13 million. He then reviewed the major customer categories. The Department of Defense sales were down about four million from \$78.7 million to \$74.4 million. GSA sales are substantially down more than 50 percent, from \$57 to \$25 million. The major cause for the decline is the transition from the depot program.

Mr. Lynch said NIB is pleased that the Department of Veterans Affairs sales increased by six million to over \$36 million compared to almost \$31 million in 2013. Services are also up five million to \$40.4 million compared to \$35.8 last year. FPI cutting operations also increased by five million to \$14.8 million compared to \$10.2 million last year. Mr. Lynch said there is some good news but overall NIB is being challenged by the budgetary environment.

NIB's focus remains on minimizing and where possible, eliminating the sale of "Essentially the Same (ETS)" products that compete with Procurement List items. Mr. Lynch said that based NIB's analysis of GSA Advantage data, there were 119 contractors offering ETS items for sale, and \$250,000 in actual sales of ETS products in February 2014. NIB continues to work with the AbilityOne Commission to educate customers and contracting personnel, and to advocate for support of the Program, particularly to ensure compliance with the mandatory source purchasing requirements of the Act.

Mr. Lynch announced that there is good news regarding the overall performance metrics for Contract Management Support (CMS) Services. Mr. Lynch reported data for the period of September 2010 through March 2014. He said total de-obligations identified by the AbilityOne contract closeout teams are approaching close to a billion dollars, and the number of contracts that have been closed as a result of the CMS support services are approaching close to a quarter of a million.

NIB proposes to address the Chief Financial Officers (CFO) Council for DoD, so they can get a better understanding of the value of CMS. The total funds obligated by the DoD for CMS Services is approaching \$38 million; however, in light of the de-obligated funds returned to the Government, DoD's return on investment is 10.5 to 1.

Next, Mr. Lynch reported that AbilityOne-related Defense Acquisition University contracting graduates are up to 464 total individuals; this is 237 graduates from NIB-associated agencies and 227 from SourceAmerica-associated nonprofit agencies. There are 50 Wounded Warriors or Service Disabled Veterans among them. Mr. Lynch said there are eight active NIB agencies and seven from SourceAmerica. The number of direct labor positions is 124 and the breakdown is 95 NIB and 30 SourceAmerica. In addition, there are 32 Wounded Warriors or Service Disabled Veterans currently working in CMS.

Mr. Lynch said the pay range is from \$17.00 to \$21.00 per hour, and 21 individuals who are blind have been hired by government contractors or DoD agencies. Mr. Kesteloot asked how many people have been trained by DAU University. Mr. Lynch replied that the 464 graduates break down into 154 people who are currently employed and 300-plus who are trained and awaiting employment. Those who are currently employed receive over \$20.00 an hour when you include benefits under the CMS project.

NIB is trying to establish a self-funding mechanism for CMS, as some of the appropriated funds originally invested in this program are not likely to be available in the future.

Ms. Karen McCulloh, Private Citizen, said she knows that NPAs are very concerned about the transition and closure of the GSA depots, and asked Mr. Lynch to give an update on the situation as it affects nonprofit agencies that manufacture and deliver products to GSA. Mr. Lynch said they are going through a transition of the inventory from Government depots to contractors, which has had an impact on replenishment orders. He said previously they were receiving sizeable orders from the depots once or twice a month. Now, with the transition of inventory, replenishment orders are coming in, and the commercial contractors are ordering small quantities more frequently. He said the nonprofit agencies are going through an adjustment because it is a change from what they are used to in terms of the size and predictability of orders.

Mr. William Sisk, GSA representative, elaborated on the transition. He said they are in the process of closing the distribution centers. GSA is drawing down the inventory owned already by the government and will not be ordering replenishments. He said once the process is completed, GSA will take advantage of the commercial supply chain that already has AbilityOne products. They are hoping for better pricing and delivery time of AbilityOne products.

Mr. Harry Hallock, U.S. Department of the Army representative, said he just saw a memo from the Secretary of the Army that was sent out to DLA regarding the downscoping at Army depots and arsenals. The Secretary's memo stated that Army products that are stocked by DLA should be considered for production in an Army depot or arsenal first [before considering outside sources.]

He said there has already been a potential impact on small business, and there may be a potential impact on AbilityOne also. Mr. Poleo said he has also heard about better utilizing the arsenals; however, there are legal questions regarding whether DLA can be required forced to do that. He said there has not been much movement, so everyone will have to wait to see what the outcome will be.

SourceAmerica

Mr. E. Robert Chamberlin, President & CEO of SourceAmerica welcomed the Commission members to San Diego and said he was pleased to have them attend the SourceAmerica Conference.

Mr. Chamberlin gave an update on SourceAmerica's current employment numbers. In regards to direct labor hours, the first quarter of FY 2014 is down almost four percent compared to where they were in FY 2013, specifically, down to 9.9 million hours versus 10.4 million hours. Service projects are responsible for 8.8 million direct labor hours in FY 2014 compared to 9.1 million in FY 2013, and products are responsible for 1.2 million direct labor hours now compared to 1.3 million then.

The number of people employed is down almost five percent in terms of people employed in the program at the end of the first quarter versus last year. The people employed in the first quarter of FY 2014 numbered 33,987 versus 35,587 in FY 2013. Mr. Chamberlin said the bad news is that in each case concerning direct labor hours and people employed, SourceAmerica is down further in 2014 than they were in 2013.

In terms of AbilityOne Sales, in FY 2014 SourceAmerica has had \$539.5 million in sales year-to-date, compared to 548.6 million in FY 2013, down 1.68 percent. Mr. Chamberlin gave a breakdown of sales for services versus products. Services sales are up from last year 2.9 percent, while products are down considerably at a 19.25 percent difference.

According to Mr. Chamberlin, Non-AbilityOne direct labor hours and Non-AbilityOne sales generated through the nonprofit agencies are down almost seven percent when comparing the two quarters. Non-AbilityOne sales are up slightly from where they were last year: \$347.5 million compared to \$338.4 million.

In regards to participation in the Quality Work Environment (QWE), Mr. Chamberlin reported that 83 percent of AbilityOne employees work in nonprofit agencies that have completed QWE Self-assessments, which is the first phase of QWE. By the end of FY 2013, 69 percent of the employees in the Program worked for nonprofit agencies covered by Action Plans, which is the

second phase of QWE participation. At the end of the first quarter of FY 2014, SourceAmerica now has 71 percent of employees working for nonprofit agencies with Action Plans.

Mr. Chamberlin said the environment remains very challenging from numerous perspectives. As was mentioned before, protests are up, the economy is down, budget dollars are shrinking and other factors have contributed to this climate. SourceAmerica is taking actions to minimize job loss. In addition, SourceAmerica continues to develop and expand more efficient and cost effective solutions for individual government customers and CRPs. SourceAmerica is working closely with the Commission to make interoperability with the Procurement List Information Management System (PLIMS) more efficient.

SourceAmerica is rechanneling resources to two major categories to expand and add new business lines and new customers, and to expand choice and diverse employment solutions. Mr. Chamberlin said SourceAmerica continues to leverage its new name and brand. "Source" stands for a source of inspiration, while "America" keeps with the "Made in America" theme brought to life with every product and service provided.

Mr. Chamberlin hopes to capitalize on a comprehensive Summer Internship Program for college students. He said it will be very beneficial and a "win-win" situation for all. The Program will focus on targeting students with disabilities.

On Monday during the conference, Mr. Chamberlin said 72 big ideas were featured in the Big Idea Exchange (BIE) reception. Some of the ideas included reciprocal purchasing with NIB, value based training, how QWE can be improved, E-Waste, De-manufacturing, environmental restoration and others.

Mr. Chamberlin invited everyone to attend the awards banquet. He said there will be several awards presented including the inaugural Tom Miller Award for Advocacy in honor of the late SourceAmerica Board member, and there will be Government customer awards. Mr. Josh George, Gold medal winner from the International Paralympics in track and field, will serve as emcee for the evening. There will also be a special appearance by Mr. Dat Nyugen, classical guitarist, who will provide musical selections. Mr. Chamberlin invited all the members to a VIP reception prior to the banquet.

Mr. Kesteloot said listening to the CNA reports indicates that it may be time to recognize that this is a crisis. Mr. Chamberlin said he called it a crisis a year ago. Mr. Lynch agreed with Mr. Chamberlin's assessment. Mr. Chamberlin said although they are looking outside of the AbilityOne Program to diversify the business line portfolio and grow CRP capability and capacity, AbilityOne remains critical to many people and he solicited their ideas for support. Mr. Kesteloot asked if there is a need for a formal crisis plan that will provide relief.

In response to an inquiry from Mr. Kelly, Mr. Lynch said reciprocal purchasing was a hot topic at the G4 meeting and it is being rolled out across the program. Mr. Chamberlin added all four organizations are working together to accelerate implementation.

Mr. Kesteloot said he attended a session on reciprocal purchasing and there seems to be good activity there.

V. NPA Presentations

Ms. Amy Jensen, Deputy Director of Compliance, gave an overview of each agency that would make a presentation to the Commission regarding their current ratio status and their corrective action plan. Each agency was given the opportunity to explain the reasons why they were out of compliance and their business plan to improve their ratios.

Opportunity Workshop of Lexington – Lexington, Kentucky

Mr. David Boggs, President, presented on behalf of Opportunity Workshop of Lexington (OWL). Mr. Boggs gave a brief history of OWL. OWL was established in 1961 as a non-profit 501(c)(3) corporation. The founding mission of OWL was to “provide a facility that is a work-oriented Community Rehabilitation Program.” Mr. Boggs said his Board of Directors is committed to continuing its participation in the AbilityOne Program and offering training and meaningful employment opportunities to persons with significant disabilities.

He said their direct labor hours (DLH) ratio greatly improved from 50.67 percent in 2013 and increased to 77.02 percent in 2014, making significant improvement.

Mr. Boggs described some of the problems that led to OWL being out of compliance. OWL was serving a diverse population including people with significant disabilities as well as temporary workers that had other disadvantages or barriers to employment. The hours from the non-disabled employees adversely affected the disabled direct labor ratio.

OWL created the Paddock Development Group, Inc. to provide employment to those individuals that had other barriers other than significant disabilities. Those employees were transferred to Paddock.

The second problem described by Mr. Boggs was OWL did not have a system that allowed for effective monitoring of disabled direct labor hours and it was only collected and reviewed for submission of the 404. OWL developed and implemented a database that tracks all disabled direct labor hours and a review policy that will require monthly monitoring of ratios and corrective action as required. Hours are tracked and reviewed on a daily basis and discussed during weekly meetings.

Mr. Boggs reviewed OWL’s Three-Step Process Plan of Action to remain in the AbilityOne Program. The first step includes the implementation of a self-disclosure form to identify employees most likely to meet AbilityOne eligibility. Employees who do not meet the criteria are referred to the Paddock Development Group, Inc. The second step is to improve job monitoring by utilizing a newly developed database. Constant monitoring will identify potential problem areas and allow for timely corrective action. The third step is to expand OWL’s referral network to increase the number of significantly disabled applicants. OWL has developed

relationships with the Community Action Council, Kentucky Office for the Blind, Kentucky Office for the Deaf, and the State Public School System.

Mr. Boggs said OWL's Future Plan of Action is to increase their overall ratio. He believes that OWL will be in full compliance by the end of FY 2014.

Mr. Lewis asked about the relationship between OWL and Paddock Development and wanted to know if it is a separate entity. Mr. Boggs said the Paddock Development employees do not work with AbilityOne contracts and are completely separate from OWL. In response to an inquiry from Ms. McCulloh concerning the setup of the Board, Mr. Boggs said there are two separate Boards, but a few of the Board members overlap and serve on both the Boards of OWL and Paddock Development.

In response to a question from Mr. Kesteloot, Mr. Boggs said individuals who do not have significant disabilities are referred to the State Rehabilitation Agency. Ms. Kathleen Martinez, U.S. Department of Labor representative, asked if OWL is participating in QWE and Mr. Boggs responded in the negative.

OWL is starting a new job training program which will enable them to have a better relationship with the community college and some of the new Board members are from the University of Kentucky.

In response to an inquiry from Mr. Kesteloot, Mr. Boggs said QWE has not been an option at this point but they would consider exploring it in the future. Mr. Boggs said they have a very good relationship with the Kentucky Vocational Rehabilitation, in response from a question by Mr. Kelly.

Mr. Lewis had an additional question about OWL's [Department of Labor] 14(c) certificate and their average wages. Mr. Boggs said they do have a 14(c) certificate but there are very few employees paid commensurate wages. He said most employees earn \$7.25 to \$12.00 per hour. Mr. Kesteloot encouraged Mr. Boggs to take a look at QWE.

Opportunities and Resources Inc. (ORI) – Wahiawa, Hawaii

Ms. Eva Liang introduced Ms. Suzanne Cheung, Founder, President and CEO, of Opportunities and Resources, Inc. (ORI) of Hawaii. She also introduced Ms. Victoria Fields from SourceAmerica who, at the request of ORI and approved by Commission staff presented ORI's information as an accommodation to overcome a language barrier.

ORI is committed to the AbilityOne Program and has been a strong participant for 18 years. The Board of Trustees and staff are committed to maintaining compliance with all aspects of the AbilityOne Program including the mandated ratio of direct labor performed by people with severe disabilities.

Contributing factors that led ORI to be out of compliance in FY 2012 and 2013 are as follows: NAVFAC Hawaii consolidated four AbilityOne contracts and expanded the AbilityOne Program's work in Hawaii in October 2011. This expansion doubled ORI's work and increased the number of buildings to clean and FTEs needed. There was also a significant increase in the administrative workload due to a change in the level of detail requested to invoice for the work being performed.

Initially ORI's focus was to bring the contracted areas back up to contract standards as quickly as possible. The prior commercial contractor was terminated and ORI had to pick up the contract on very short notice. ORI hired 29 of the existing workers and began training and phasing in their workforce of people with significant disabilities. Half of the new work was in a secured area requiring a lengthy security clearance process. Prior to this, ORI had Agency Secret Clearance, but additional workers needed to be cleared individually.

In addition, ORI needed to increase labor hours for existing workers and some of their workers and families were concerned with potential cuts or loss of Social Security or Medicaid benefits. Most of the workers with disabilities were working the maximum amount of hours they could without losing SSI and other benefits. ORI had traditionally served only people with developmental disabilities.

ORI's recruitment efforts prior to the NAVFAC increased work (pre-award) included an Open House to showcase job skill training for the targeted group. Advertisements were published in the local newspapers to recruit individuals with disabilities. Post-award, they continued to publish ads in the Honolulu Star and other newspapers. The ads were routinely updated and featured a deliberate call for veterans with disabilities.

Other recruitment efforts included booths at JobQuest Community Job Fair, job postings with DOL, HireNet Hawaii and Work Hawaii, and networking with the Department of Health Development and Department of Education. These efforts resulted in 29 new referrals and 14 new clients.

In FY 2014, ORI turned things around. NAVFAC Hawaii reduced janitorial service standard levels from (Common Output Level) COL3 to COL4. ORI used this as an opportunity to raise disabled labor ratio by reducing non-disabled workforce based on the reduction in the contract scope. In addition, ORI's recruitment efforts began to pay off and by October 2013, the agency ratio increased to 65 percent and by December it increased to 77.3 percent and that ratio has remained for the first two quarters of FY 2014.

ORI's plan to sustain compliance includes outreach to the target population, developing new referral sources, an additional focus on hiring and addressing their transportation challenges. Plan ahead for attrition and contract expansion, continued to closely monitor their labor ratio. The annual labor employment ratio is currently above 75 percent and has traditionally been above the required ratios. ORI believes they will maintain their ratio and requests their continued participation in the AbilityOne Program.

Mr. Robinson commented that he believes the government put ORI in this situation and ORI should be granted a grace period. Ms. Zeich asked if there was a phase-in plan which ORI confirmed. Ms. Jensen said when agencies receive new projects, they are required to work with the Commission staff and their SourceAmerica region. Ms. Jensen said the agency must provide a narrative if the phase-in plan is for more than 12 months. SourceAmerica monitors their benchmarks to see that they reach their milestones during a phase-in plan.

Ms. McCulloh who serves on the Stewardship subcommittee said there are contingencies built in when certain situations occur. Ms. Jensen said nonprofits are required to inform the CNAs before a situation gets out of control. The Commission and CNAs provide support for the phase-in plan to help agencies meet their ratio.

In response to questions from Ms. Wilusz and Mr. Kesteloot, ORI affirmed that they participate in QWE and they have a competitive job placement program. Mr. Kesteloot asked if they would provide data on the number of placements to Ms. Jensen.

Ms. Jensen said the next two presenters were in front of the Commission last year and they are required to give an update on their ratio status.

Jefferson County Rehabilitation Center (JRC) – Wattertown, New York

Mr. Howard Ganter, Executive Director and Mr. Shawn Mead, Project Manager presented on behalf of Jefferson County Rehabilitation Center (JRC). Mr. Ganter thanked the Commission for accepting their corrective action plan last year and thanked Ms. Jensen, and SourceAmerica staff members, Ms. Patty Pappas and Mr. Joe Diaz.

JRC has been in existence for 60 years serve a variety of people mainly developmental and intellectual disabilities. Mr. Ganter said JRC's Board of Directors, administration, and program staff remain committed to continued participation in the AbilityOne Program. JRC serves a great need in a rural area of upstate New York where unemployment is at 10 percent.

According to Mr. Ganter, in FY 2013 JRC's first quarter ratio was 64.83 percent and improved to 73.55 percent by the fourth quarter. So far in FY 2014 the total agency disabled direct labor hour ratio has remained about 75 percent and is cumulative 77.22 percent.

Mr. Mead discussed the factors contributing to low agency ratios and our corrective actions. Lack of public transportation to Fort Drum, which is located in a rural area I Upstate New York and approximately 9 miles from the main metropolitan area, was a causal factor. Now, JRC provides transportation with JRC vehicles, as well as reimburses individuals for taxi service to make working on the base more accessible.

The 10th Mountain Division at Fort Drum remains the most deployed Division in the Military. These short term special missions often provide little notice or time to staff and prepare. JRC has created a training pool to prepare people for short term and regular job openings. Mr. Mead said having people trained and ready to fulfill openings for missions enabled JRC to staff a recent mission for five months and still meet the appropriate ratios.

New York State advocates for more integrated employment options [versus the old “sheltered workshop” model]; JRC joined the State’s initiative in the Fall of 2010. By implementing a more balanced approach to hiring, they are able to ensure that AbilityOne ratios are maintained and continue to develop opportunities promoting an integrated work setting.

JRC’s action plan to ensure continued ratio compliance includes the purchasing of another vehicle dedicated to Fort Drum contracts, and leveraging success of the recent short-term mission exercise for the Central Issue Facility to maintain pool of individuals trained and prepared for Fort Drum or other job openings. JRC will fill positions currently held by nondisabled temps with individuals with disabilities from this training pool.

JRC is also pursuing commercial business opportunities, networking with area CRPs for placements at Fort Drum, reaching out to Wounded Warriors, implementing an enhanced monitoring staffing system, and hiring an additional Occupational Trainer to assist with transitioning people into employment and assisting them in maintaining employment.

In response to a question from Mr. Kesteloot, Mr. Ganter said JRC uses its reserves to help fund transportation costs. Mr. Lewis asked if they could elaborate on their placement program. Mr. Ganter said they place people in both Federal and private contracts and average about 40 to 45 placements a year.

Ms. Wilusz asked about the challenges with the dining contract. Mr. Ganter said the contract has been in place since the early 1990s and they have experienced difficulties because of the meal shifts. Mr. Mead said the lack of transportation has been a problem when the employees have breaks in their shifts; there is unpaid “down time” but it is not easy for employees to leave and come back for the next shift. He said JRC is responsible for all the KP (kitchen patrol) dining functions. Mr. Robinson said it sounds like there may be a capacity issue and other variables other than lack of transportation.

Mr. Ganter said JRC does participate in QWE and is currently CARF Accredited, but is seeking certification from the Council of Quality Leadership.

L.E. Phillips Career Development Center (CDC) – Eau Claire, WI

Mr. Greg Mizerk, President and CEO, presented on behalf of L.E. Phillips Career Development Center (CDC). Mr. Mizerk thanked the Commission for giving him the opportunity to present again. Mr. Mizerk said CDC has been in business since 1959 and currently has 143 disabled employees. CDC is located in a rural area and has only one AbilityOne contract to clean the Federal Courthouse. CDC has been performing cleaning services at the courthouse for nearly 25 years and there are currently three employees who work on that contract. In March 1, 2014, the annual contract value was negotiated down from \$74,727 to \$67,171. That represents a 10.1 percent savings to the Government over the previous year. The direct labor wage rate on the contract is \$11.87 per hour and the annual agency budget is six million dollars.

Mr. Mizerk explained the reasons that CDC become out of compliance. In 2010, one of their largest fulfillment projects demanded that a second shift be created. There was a lack of people available with disabilities to work the second shift, so most of the people they hired to work the second shift were non-disabled. If the second shift was taken out of the equation, the direct labor ratio would have been 82.79 percent. In April 2014, CDC eliminated the second shift. This resulted in the loss of 45 jobs and \$1,000,000 in revenue. According to Mr. Mizerk, CDC will be back in compliance beginning in the third quarter of FY 2014.

The shortfall CDC experienced in labor hours during the second quarter was due to the coldest winter ever. In some cases, people did not come to work because of lack of transportation and the extreme temperatures.

Mr. Mizerk said CDC's plan going forward includes recruitment, increasing participation in conferences, and offsetting the cost of transportation from rural areas. In addition, Mr. Mizerk discussed some "out of the box" initiatives CDC is undertaking. They have a letter of intent to acquire two small businesses that can serve as additional training and employment for people with disabilities.

Ms. Jensen said the Commission staff will issue a Special Vote Letter and the Commission will vote on whether the agencies will remain in the AbilityOne Program.

Mr. Lewis commented that he appreciates the enthusiasm Mr. Mizerk expressed when talking about placing people in jobs.

VI. Customized Employment

Mr. Michael Callahan, President, Marc Gold & Associates, thanked the Commission for giving him the opportunity to make a presentation on SourceAmerica's Pathways to Careers project, specifically addressing Customized Employment. Mr. Callahan is a nationally recognized subject matter expert on customized employment, a topic of interest to those working on the Quality Work Environment (QWE) Initiative and others on the Commission.

Customized employment is an approach used in the SourceAmerica Pathways to Careers demonstration project, on which Ms. Lisa Wilusz, Chair, Employee and Customer Satisfaction Subcommittee and members received a briefing on in 2013. After the subcommittee briefing, Ms. Martinez's staff liaison, Ms. Serena Lowe, offered to assist the Commission in arranging for Mr. Callahan to brief the Commission members on the customized employment approach.

Mr. Callahan conducted several training sessions at the SourceAmerica Conference. He also serves as the subject matter expert for a multi-year project involving customized employment sponsored by Labor's Office of Disability Employment Policy, the Employment First Leadership Mentor Program.

Mr. Callahan explained that employers typically meet needs by bundling demands into job descriptions. Job seekers with significant disabilities often do not have the "whole package" to

compete. Customized Employment allows employers to “unbundle” demand and to take advantage of discrete competencies in relation to specific benefit to employers.

Mr. Callahan defined Customized Employment as a flexible process designed to personalize the employment relationship between a job candidate and an employer in a way that meets the needs of both. It is based on an individualized match between the strengths, conditions, and interests of a job candidate and the identified business needs of an employer. Customized Employment utilizes an individualized approach to employment planning and job development – one person at a time...one employer at a time. (U.S. Department of Labor website)

The SourceAmerica Pathways Process to employment uses a combination of innovative process steps, employer incentives and traditional internships to achieve community, integrated employment for individuals with significant disabilities. Some of the features of Pathways includes: foundation of discovery, presumption of benefit/zero exclusion, use of paid internships, employer payroll tax adjustment, benefits analysis, customized employment and job-site supports to both employers and interns.

Types of internships include standard, adapted, customized and hybrid. Employers serve as internship hosts for Pathways participants. They receive support and incentives paid by SourceAmerica throughout the internship. Mr. Callahan said they are having great success and he is looking for ways to blend customized employment into the AbilityOne Program.

Mr. Lewis thanked Mr. Callahan for all his work. Mr. Callahan said he could connect Mr. Lewis with the Pathways people in Utah and they could share their data. Mr. Lewis commended Ms. Martinez and Mr. Chamberlin for their involvement with customized employment.

Mr. Kesteloot invited Mr. Callahan to give an update at the July Commission meeting. Ms. Martinez asked Mr. Callahan to share the customized employment success stories during his presentation in July.

VII. Quality Work Environment (QWE) Discussion

Ms. Kimberly Zeich gave some background information on the QWE Initiative. She said there was always an expectation to roll out QWE across the AbilityOne Program and achieve full participation. She advised that the QWE Steering Group has a new Chair, Mr. Lou Moneymaker from BOSMA Enterprises and Vice Chair, Mr. Steve Perdue from Grand Traverse Industries. The Steering Group has invited direct labor employees who are blind or significantly disable to join its ranks, and has developed criteria and an outreach plan for July approval and October onboarding.

Ms. Zeich said there are both pros and cons on whether to make QWE mandatory versus keeping it voluntary with the objective remaining full participation. Some of the reasons given for nonprofit agencies that have not adopted QWE yet include barriers to resources, the challenging business environment, competing priorities, and a lack of awareness or engagement at the Program level.

The Commission previously requested that a representative attend one of its meetings to speak on the NPA's perspective for those that have not adopted the QWE initiative. Mr. Reinhard Mabry, President and CEO of Alphapointe, was selected to give a presentation to the Commission. Mr. Mabry gave some brief background information on Alphapointe. Mr. Mabry said a merger with the New York City Industries for the Blind (NYCIB) has taken place over the last nine months. The merged organization will have over 400 employees operating in nine locations in four states. Mr. Mabry talked about their business lines, rehabilitation services and placement program.

In terms of QWE, Mr. Mabry said they are not in disagreement, but Alphapointe elected to delay the implementation of QWE for various reasons. In terms of embracing it, he said Alphapointe is in agreement with its spirit and concepts. They support the best practices and guiding principles, but do not agree with the idea of it becoming mandatory versus voluntary. Mr. Mabry pointed out that QWE was introduced as a voluntary program, and the Commission would be sending the wrong message if it was made mandatory. He said the coercive powers of government may change the dynamic in an unhealthy way.

Mr. Mabry also discussed costs of best practices – to implement some of them could cost hundreds of thousands of dollars. He said in the current environment, the Federal Government is seeking the lowest price, and reducing expenses allows organizations to become more competitive. He said many nonprofit agencies are facing difficult times and challenges, and he would caution the Commission to give some real thought to making any initiative that is supposed to be a collaborative effort mandatory. Mr. Mabry urged the Commission to have more stories presented to the general public to encourage employers to hire someone with a disability.

Mr. Lewis asked Mr. Mabry if he considers it a privilege for his nonprofit agency to participate in the AbilityOne Program, and if so, how do we as a Commission protect that privilege for all nonprofits if we don't have a way to ensure a quality work environment? Mr. Mabry said he does consider it a privilege to participate in the AbilityOne Program and we all believe in QWE; it is a bit like "preaching to the choir".

VIII. CNA Fee Ceiling Recommendations

Ms. Kimberly Zeich, Deputy Executive Director, stated that it is the responsibility of the Business Excellence Subcommittee to recommend the CNA fee ceiling for FY 2015 – 2017. The subcommittee's analysis of the CNA's business plans is completed. The subcommittee has had discussions with the CNAs and the Commission members, and has reviewed previous years' guidance and decisions for context. The subcommittee's recommendations will be incorporated into a Special Vote Letter and a decision is expected by June 15, 2014.

Ms. Zeich said based on the current conditions and a challenge, the recommendation of the subcommittee is that no change to the current fee ceiling is warranted at this time. A Special Vote Letter will be released to the members along with additional information and a decision will be sent to the CNAs no later than June 2014.

FY 2015-2017 proposed CNA Fee Ceilings:

- 3.90% for NIB
- 3.85% for SourceAmerica

IX. Closing Remarks

After determining there was no further business, Mr. Kesteloot adjourned the meeting at 5:25 pm.

List of Attendees – May 7, 2014

Committee Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs
Harry Hallock	U.S. Department of the Army (via teleconference)
Anil Lewis	Private Citizen (via teleconference)
Kathy Martinez	U.S. Department of Labor/ODEP
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Karen McCulloh	Private Citizen (via teleconference)
J. Anthony Poleo	Defense Logistics Agency (via teleconference)
Thomas Robinson	U.S. Department of the Air Force
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture

Commission Staff

Tina Ballard
Robert Hartt (via teleconference)
Amy Jensen
Kermit Jones
Stephanie Lesko
Barry Lineback
Dennis Lockard
Nancy Myrick (via teleconference)
Angela Phifer
Breck Richardson
Kimberly Zeich

SourceAmerica

Rick Beaman – Board
E. Robert Chamberlin
William Coleman – Board
Joe Diaz
David Dubinsky
David Fields
Dennis Fields
Victoria Fields
Therese Fimmian
Michael Fischetti – Board
Vickie Fuller
Sally Gamett
Nancyellen Gentile
Martin Gerry
Elizabeth Goodman
Thomas Hawkins

SourceAmerica (continued)

Debbie Ignatz
John Kelly
Carol Lowman – Board
Marie McManus
Patty Pappas
Jean Robinson
Paula Scanlon
Steve Schwalb
Goli Trump
Tony Young
Shari Walton
Martin Williams
Tina Wright

NIB

Steve Brice
Angela Hartley
Kevin Lynch
Matt Wieseler

Government Representatives/Staffers

Chris Buttons	U.S. Department of Labor/ODEP
Felicia Harvey	U.S. Department of the Army (via teleconference)
Eve Hill	U.S. Department of Justice
William Sproule	U.S. Department of the Air Force

Other Attendees

Paul Atkinson	Eggleston
Jim Barone	Pride Industries
Ken Bell	TRI Industries
David Boggs	Opportunity Workshop of Lexington
Ellen Brown	Consultant – Goodwill International
Michael Callahan	MGEA
Jim Cassetta	Work, Inc.
Charnel Coleman-Butler	Private Citizen
Tahlia L. Cummings	TMP Government
Yvonne C. de Luna	ORI
Leslie Foh	ORI
Thomas Freeman	Kando, Inc.
Howard Ganter	JRC
Sal Garolla	GHF, Inc.
Richard Gilmartin	Lakeview Center
Ann Gillmore	Peckham, Inc.
David Gonzales	PORTCO, Inc.

Other Attendees (continued)

Ed Guthrie	Opportunity Village
Kasia Grzelkowski	VersAbility Resources
Juan Hernandez	TRDI
Barbara Kesteloot	Private Citizen
Steven King	Beacon Group
Mike Kivitz	Adelante
Eva Liang	Opportunities Resources, Inc.
Pam Lillibridge	Tresco, Inc.
Amy Luttrell	Goodwill Easter Seals – Miami Valley
Reinhard Mabry	Alphapointe
Shawn Mead	JRC
John Mitchell	Cincinnati Association for the Blind
Gregg Mizerk	L.E. Phillips
Jim Meehan	Virginia Industries for the Blind
Doug Myers	PORTCO, Inc.
Dorothy June Parker	J.P. Industries, Inc.
Julius Parker, Jr.	J.P. Industries, Inc.
Steve Perdue	GrandTraverse Industries
April Pratt-Keeler	MVLE, Inc.
Carroll Schubert	PCSI
Sam Seaton	Pride Industries
Juvy Siaoosi	ORI
Laura Smith	Goodwill Industries of Hawaii, Inc.
Valerie Spencer	Didlake, Inc.
Dennis Steiner	VisionCorp
Maureen Stokes	Witco, Inc.
Mitchell Tomlinson	Peckham Inc.
Wes Tyler	Phoenix Industries
Laura Walling	Goodwill Industries International
Karen Walls	Midwest Enterprises for the Blind
Keith Walker	PCSI
Dave Wells	West Texas Lighthouse
Bonnie Zimmerman	Peckham, Inc.

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Thursday, July 10, 2014

8:30 am

I. Opening Remarks

Committee Chairperson, Mr. J. Anthony Poleo, called the meeting to order at 8:35 am and made some brief opening remarks. He discussed the full day's agenda and thanked everyone for their attendance before asking that introductions be made.

II. Consideration of Minutes

There were no further changes to the May 7, 2014 minutes. Previously, Ms. Angela Phifer, Commission Executive Assistant, implemented changes from SourceAmerica and distributed revised minutes to the Commission members. Mr. Anil Lewis, Private Citizen made a motion to accept the minutes with the proposed changes. A second was received from Ms. Lisa Wilusz, U.S. Department of Agriculture, and the minutes were adopted by unanimous vote.

III. Definition, Suitability and Process (DSP) Review Group Presentations

Mr. Poleo reminded everyone that meeting attendance was by invitation and all information presented is pre-decisional. Mr. James Kesteloot, Vice Chairperson, made some opening comments about his recommendation to form the DSP Review Group. He reflected on the Court of Federal Claims decision in December 2012, and recalled the legal challenges raised in the opposing counsel's arguments. These focused on safety concerns and reflected the perception that people who are "unable to work" could not possibly perform the work required. The members also discussed the GAO Report recommendations, which have a bearing on Procurement List Processes, including the regulatory suitability guidelines.

The DSP approached its task by creating three subgroups: Definition, Suitability, and Process. The facilitators for each subgroup made presentations, then after a break, the Commission discussed the recommendations and other issues in Executive Session.

Definition Subgroup Presentation

Ms. Deborah Atkinson, SourceAmerica, presented for the Definition subgroup. She applauded the efforts of this subgroup, as it dealt with challenging issues. She introduced the members of the subgroup and noted that Mr. Bobby Silverstein, ACCSES, was not able to attend and sends his regrets.

Charter and Background

In accordance with the charter of the DSP Review Group, the definition subgroup is charged with engaging in a comprehensive review of definition which pertains to the definition of “significantly disabled” referenced as “other severely disabled” in the JWOD Act.

Per the Act “other severely disabled” means an individual or a class or individual under a physical or mental disability, other than blindness, which (according to criteria established by the Committee after consultation with appropriate entities of the Federal Government and taking into account the views of non-Federal Government entities representing the disabled) constitutes a substantial handicap to employment and is of a nature that prevents the individual from currently engaging in normal competitive employment.

The group’s approach to accomplish the charter included a review of the existing definition and regulations, review of historical records and history behind the definition. The group also reviewed other Federal Government definitions of significant disability. How does the ADA and the Rehab Services Act define significantly disabled?

Some of the questions asked:

What was the original intent of Congress?

Who was the program intended to serve?

The history of the AbilityOne Program was covered along with its requirements. In 1938, the Program was first established to benefit people who were blind through facility-based employment. In 1971, the Program was expanded to provide same benefits to people with significant disabilities. The intent was to serve individuals with the most significant impairments. Veterans were added and a wide range of disabilities were cited. The Blind Priority was added for products, services were added and a second CNA was established.

According to SourceAmerica’s ERS data representing 18,600 AbilityOne employees:

- 41.6% are individuals with intellectual or developmental disabilities
- 29.7% are individuals with mental illness
- 16.9% are individuals with musculoskeletal or other physical disabilities
- 11.8% are individuals who are blind, deaf (or who have visual or hearing impairments), have traumatic brain injury or other neurological disabilities, and/or have other physical disabilities

According to SourceAmerica’s ERS data representing 18,600 AbilityOne employees:

- 89.7% earn an hourly wage of \$7.25 or more per hour, plus HWB of \$3.81 per hour
- 59.5% earn above \$10.50 per hour, plus HWB of \$3.81 per hour
- 73.7% of the jobs are in the services sector and 26.3% in assembly manufacturing
- 77% of jobs are in community settings
- Average number of hours worked per week – 29.6

Results of Executing the Approach (Findings, Output, Early Recommendations)

- The final recommendations will not broaden, expand or reduce the definition of disability
- The final recommendation will focus on who the program was intended to serve
- Currently, there is language in the regulations that is not in step with today's disability thinking and is "offensive". The definition workshop will likely recommend revised language
- There are misperceptions about the program, who it currently serves, and the quality of the jobs provided through the AbilityOne Program.

Key concepts that may impact recommendations:

- Informed choice for people with significant disability
- Availability of/access to a placement program for AbilityOne employees
- Assurances that individuals who can work in competitive settings are provided the opportunity and are referred by the NPA to VR or other similar services
- Language changes
 - Redefining some terms such as normal competitive employment
 - Replace references of "unable to work in competitive employment" to "prevented from engaging in competitive employment" or exclude the terms unable to and prevented
- Aligned with the Quality Work Environment (QWE) principles

Progress to Date

According to Ms. Atkinson, it has been a tough journey for the group and they have held some robust discussions. There have been at least two conference calls per month in an attempt to reach a consensus. The subgroup reviewed and critiqued two original options for changes to current definition regulations. Based upon the critique and robust discussion over many calls, the subgroup devised a third option on April 16, and a suggested revision to Option 3 on June 24.

Option 3 and Suggested Revisions

- The third option captures many of the comments and concerns raised by members.
- Members discussed Option 3 and provided comments that may be considered and incorporated in the recommendations
- A revision of Option 3 that addresses issues related to the interpretation of reasonable accommodation. Reasonable accommodation is misinterpreted.
Consensus to take Option 3 revised into comment phase with informal stakeholders
Recommend regular language
- Changes resulted in bringing members closer

Definition of Disability Regulations draft highlights

- First provision amends definition of "severely disabled individual" (primarily used for counting direct labor for the ratio)

- Second provision addresses steps and documentation required before a NPA can accept an individual who is blind or an individual with other significant disabilities into the program
- Third provision proposes steps the NPA must take to ensure that AbilityOne employees are provided information and opportunities on an ongoing basis to explore, discover, and experience traditional competitive integrated employment
- Includes draft language for definitions, suggested steps, and suggestions for rules of construction
- Includes distinct provisions for youth and others (non-youth)
- Aligns Regs with Title 1 of the Rehab Act and Title 1 of the ADA

Vision of Final Product

- The goal is to achieve consensus on concepts that can be considered by the Commission that will result in changes to the existing regulations related to the definition of disability and the criteria that constitutes a substantial handicap and is of a nature that prevents the individual from currently engaging in competitive employment (per the authority afforded the Commission via the JWOD Act)
- If consensus cannot be reached, the recommendations will likely include multiple options and perspectives, and will include concepts discussed by the work group that the Commission could consider in revising policy and regulations.
- Keeps focus on the original charge (avoid “scope creep”)
- Seeks consensus as first choice
- Aligns regulations with original intent of Congress

Next Steps

- Present final report to Commission which shares multiple perspectives if consensus cannot be achieved, and presents concepts discussed by the work group that the Commission could consider when revising policy and regulations

Ms. Atkinson noted some key points. The Definition subgroup’s recommendations regarding eligibility criteria would impact all AbilityOne employees, including people who are blind. This was not anticipated when the subgroup was established, and thus, there were no representatives of the National Association of Employers of People who are Blind (NAEPB) on this group. The subgroup decided to present the Commission with its revised Option 3 proposed definition, along with concerns and reservations expressed by some members.

No specific tasks have been assigned to the Definition subgroup for Phase 2 efforts at this time; however, Ms. Atkinson said that a majority of members welcome the opportunity to:

- Continue to flesh out Option 3 details
- Expand scope and charter to address other definitions
- Address concerns expressed in December letter to the Commission
- Obtain expanded stakeholder input

- In conjunction with the Suitability team, address placement and related issues
(Note: Some members raised concern about staff resources, e.g., time to continue)
- Follow-on work – changes in Regs will impact process – examples
 - Annual reps and certs (403/404 reports)
 - NPA documentation
- Document process changes in Compliance Manual
- At minimum, the subgroup members strongly recommend:
 - Additional stakeholder input is needed with an analysis of impact on the field (NPAs, VR, etc.)
 - Prior to formalizing draft recommendations or sending out Regs for public comment, a RFI should be released for informal consideration
 - Continue to engage Definitions subgroup as needed to provide suggestions on definition of disability Reg changes

Ms. Ballard asked why the Commission would defer to State level Vocational Rehabilitation (VR) definitions of functional limitations, which was part of the Option 3 recommendation. Dr. Ed Anthony responded that the VR regulations dictate certain parameters to the States, so there are certain consistencies. He said the use of State definitions is an accepted practice. Mr. Anil Lewis said since individuals are referred to and from State VR anyway, these will have been already used.

Ms. Ballard suggested that the word “most” significant from significant disabilities be deleted because it is not in the statute.

In the following discussion, Ms. Lisa Wilusz asked Ms. Atkinson to further discuss the subgroup’s proposal for participation of youth in the Program. Ms. Atkinson said that there is a basis in other Federal programs and pending legislation to ensure that youth are first afforded sufficient opportunities to explore and attain integrated competitive employment, which is reflected in the Definition subgroup’s recommendations. The subgroup looked at Title I of the Rehab Act, the Americans with Disabilities Act (ADA) and the language proposed for the Workforce Investment and Opportunities Act. The subgroup proposed similar language to these more recent statutes.

Mr. Kesteloot said that some members of the subgroup did not support the “under 24/over 24” limitations on who could participate in the program, when they could participate and what they had to establish or document first in order to participate.

Ms. Atkinson noted the distinction between the statutory language in the JWOD Act, that individuals are “prevented from working,” while the regulatory language says they are “unable to work” – which sends a message that they can’t perform the functions of their AbilityOne jobs.

Suitability Subgroup Presentation

Mr. Matt Wieseler, facilitator for this subgroup, introduced the members and reviewed the Suitability Charter. Suitability pertains to the regulatory criteria used by the Commission to determine that products and services are suitable for addition to the Procurement List. The DSP Review Group was to recommend any additions/deletions/edits to the existing criteria, what records/information should be required by the Commission to demonstrate suitability and what the Commission should thoroughly consider and document in their deliberations and decisions regarding suitability.

Approach to Accomplish the Charter

Mr. Wieseler discussed the Suitability subgroup's process, which included:

- Determine expected outcomes, definitions of success for the Suitability subgroup
- Review current Suitability criteria
- Identify proposed changes to existing criteria or potential new Suitability criteria
- Determine appropriate levels of documentation to support Suitability criteria

Areas of Consensus

The subgroup recommends maintaining four Suitability Criteria, but elaborating on what each criterion means and how it is achieved.

- Employment Potential: expand scope and/or documentation to broadly represent employees within the Program
 - Provide a staffing plan that addresses recruiting, training plans
 - Include a transportation plan for off-site work
 - Attest to safety procedures
- NPA Qualifications: develop certification where NPA attests to meeting Regulation 51-4
Align with Process to ensure document consistency
- Capability: refers to technical capability to fulfill contract requirements
- Impact: refers to the effect of the proposed addition on the local community, NPAs, and small businesses
 - Increase severe adverse impact threshold
 - Require certified financial documents from incumbents
 - Consider employment impact
 - Include exemptions based on projected FTEs, contract value, and/or prior experience where relevant

Phase 2

Mr. Wieseler said there were some issues raised, but not completely addressed, which may be appropriate for further exploration in a second phase of the DSP:

- Additional review, discussion of Impact criterion
- Review of nonprofit agency qualifications under Title 41 Code of Federal Regulations Chapter 51-4.2 (initial qualifications) and 51-4.3 (maintaining qualifications)
 - Placement programs (possibly in collaboration with Definition)
 - OSHA/safety reporting
 - Board governance

Mr. Robert Kelly, Private Citizen, inquired about Executive Compensation and Mr. Wieseler said it was mentioned, but no recommendations were made.

In the following discussion, Ms. Karen McCulloh, Private Citizen, recommended expanding the requirements to maintain qualification under 41 CFR 51-4.2 to include financial literacy training. Ms. Ballard stated her support for this idea.

Mr. Bob Chamberlin, President & CEO, SourceAmerica, inquired about the Suitability subgroup's thought process for the Impact criterion, and what are the next steps there? Mr. Wieseler noted that the current regulatory language is not required by the statute, and appears to be outdated due to the preference it affords the incumbent contractor. The subgroup recommends retaining the criterion but establishing a more modern process in Phase 2 to assess impact. However, that is the only impact process that is currently authorized by regulation for use. The subgroup discussed the "severe adverse impact" threshold, generally this has been 15%, but could be raised to 20%, for example.

Ms. Ballard stated that impact seems to surface during court cases so more discussion is needed. Ms. Zeich elaborated that the Suitability subgroup considered a more holistic approach to impact assessment that would include both the positive and negative impacts of the proposed action. The subgroup considered some type of benefit/cost analysis that could be done at the project level, or more ideally, at a broader level and then used for a certain period of time. In the meantime, however, Ms. Zeich said it would be advantageous to address some shortcomings with the current impact practice, such as requiring the certification of contractor-provided data.

Mr. Robinson commented that changing the impact practice could be a double-edged sword, and he urged caution and full legal analysis before regulatory or other changes are proposed.

Process Subgroup Presentation

Mr. Leejay Acham, facilitator of the Process subgroup, introduced the members and reviewed its Charter: Process pertains to those elements of the Procurement List addition process that support the Commission's decision-making, aside from suitability criteria. What records and documentation should be gathered, how is the information provided and substantiated? What is the appropriate role of the Central Nonprofit Agency and nonprofit agency in the process leading up to submission to the Commission?

Approach to Accomplish the Charter

Mr. Acham said the subgroup's approach was to review key steps in the PL Addition Process where there was the opportunity to have a significant impact on shoring up the process and/or improving its efficiency. Mr. Acham said they identified key principles in the GAO Report. They focused on strengthening controls and not duplicating efforts.

Six Areas of Consensus

Mr. Acham reviewed the subgroup's areas of consensus as follows:

1. Feasibility and Suitability Assessment Template

The Pricing Work Group was established – Phase 2.

CNAs will provide information about potential, new Procurement List Addition opportunities to Commission staff via a template. Information contained in the template will be assessed by Commission staff against established criteria to determine whether or not to pursue the opportunity.

The benefit of this will help inform Commission staff's decision making by implementing a systematic process to conduct an initial early assessment of PL Addition opportunities.

2. Information Systems for preparing and submitting PL Addition Packages

Consensus is that current system limitations drive inefficiencies into our processes as opposed to having a system that comports to our processes. Streamlining of systems would greatly reduce or eliminate time spent by staff on non-value added tasks.

3. Pricing and Pricing Documentation

Discussions focused on documentation required to support pricing of AbilityOne projects. Established two separate workgroups (Services and Products) to address issues related to pricing.

The benefits include reduction of PL Add cycle time, improve staff productivity, increase of staff morale and increase of Federal customer satisfaction.

It was recommended that this continue into Phase 2.

4. Package Rejections

Recommendation delineate roles and responsibilities for CNAs, NPAs, CAs, Commission staff as it relates to required information in a pricing package and include as guidance in the User Manuals.

Benefits include reduction of PL Add cycle time, improve staff productivity and increase staff morale (CNAs).

It was recommended that packages be prepared and submitted properly. Input is needed from the field. SourceAmerica price change packages have a 28 percent rejection rate.

5. Additions without sponsorship

The proposed change is to add an additional step in the process at which point the Commission determines whether or not it decides to exercise its statutory authority to add an item to the PL without the customer's concurrence.

The benefits to this change include fully implementing the statutory authority of the Commission, an increase in jobs for people who are blind and people with significant disabilities and a decrease in lost opportunities.

6. Representations and Certifications

The concept is to have NPAs and CNAs certify annually that they have met certain requirements necessary to add a project to the PL. There will be both Annual "Reps and Certs" and Project-specific "Reps and Certs". The subgroup also recommends establishing a "Certificate of Conformance" for Expedited PL Adds. Key components of the Reps and Certs process would be approved or endorsed upfront by the Commission and/or CNAs.

Benefits include reduction of PL Add cycle time, improve staff productivity, improve PL Addition legal record and program reputation, improve program credibility, ensure PL Addition includes the latest relevant NPA information, and provide Commission with streamlined information.

Next Steps

Mr. Acham said the Process subgroup's next steps include the completion of work remaining in Phase 1 and beginning Phase 2 activities including pricing and updating the NPA assignment/allocation policy.

In the following discussion, Mr. Kesteloot asked how many jobs are lost in a year due to process issues or other competing reasons. Ms. Atkinson responded that there are 5,000 jobs and lost opportunities per year for SourceAmerica. Mr. Bob Chamberlin said a tremendous number of projects never make it to the Procurement List addition stage. The reasons for lost opportunities include the Contracting Activity making a business decision to use the full competitive process, or to use small business, or other socioeconomic programs. Mr. Kesteloot asked whether a lack of confidence in the AbilityOne workforce is a frequent cause of lost opportunities.

Mr. Chamberlin and Mr. Poleo agreed that lack of confidence is a rare limiting factor, and the bigger issue is economics. However, there is also pressure to achieve other socioeconomic goals. Mr. Tom Robinson noted that new AbilityOne opportunities are often seen as competing with small business opportunities, and the other programs have statutory goals to achieve certain utilization and sales levels.

Mr. Poleo extended his appreciation to the facilitators by giving them a Commission coin as a small token of appreciation. He said they proved to be invaluable and indispensable during the entire process. Mr. Poleo also formally recognized the efforts by Ms. Eve Hill and Mr. Bobby Silverstein, who were instrumental in drafting the Option 3 draft definition. He presented Ms. Hill with a Challenge Coin and extended his appreciation of Mr. Silverstein in his absence.

VII. Closing Remarks

Having completed the DSP presentations and informational discussions, Mr. Poleo closed the meeting and indicated that the members would go into an Executive Session.

List of Attendees – July 10, 2014

Committee Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs
Anil Lewis	Private Citizen
Kathy Martinez	U.S. Department of Labor/ODEP (via teleconference)
Robert Kelly	Private Citizen
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Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture

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Matt Wieseler

Government Representatives/Staffers

Felicia Harvey	U.S. Department of the Army (via teleconference)
William Sproule	U.S. Department of the Air Force

DSP Subgroup Members

Bob Daniels	Pioneer Adult Rehabilitation Center
Rich Gilmartin	Lakeview
Eve Hill	Department of Justice
John Mitchell	NAEPB/CABVI
Dennis Steiner	VisionCorps

FINAL MINUTES

U.S. ABILITYONE COMMISSION

NIB Conference – Hyatt Regency Crystal City

Arlington, VA

Wednesday, October 8, 2014

4:30 pm

I. Opening Remarks

U.S. AbilityOne Commission Chairperson, Mr. J. Anthony Poleo, called the meeting to order at 4:06 pm and asked Ms. Angela Phifer, Commission Executive Assistant to provide Administrative announcements. Mr. Poleo welcomed everyone and expressed his pleasure to be able to participate in this year's conference because the Commission was unable to attend the 2013 NIB Conference due to the furlough and government shutdown on October 1, 2013. He wished everyone a Happy New "fiscal year" and said current crisis such as terrorist concerns and the Ebola epidemic bring about critical government needs where AbilityOne can make important contributions.

Mr. Poleo reminded everyone that October is National Disability Employment Awareness Month (NDEAM). He said this recognition is led by the U.S. Department of Labor's Office of Disability Employment Policy, and thanked Assistant Secretary Kathy Martinez for all her efforts in getting the word out.

Mr. Poleo thanked Mr. Kevin Lynch, President & CEO, National Industries for the Blind (NIB), for allowing the Commission members to hold an official meeting during the NIB/NAEPB National Conference and to provide an opportunity for staff and stakeholders to observe a meeting. Mr. Poleo said he would be mindful of the time so that the members would be able to get through the full agenda and attend the reception and awards banquet.

He discussed the agenda topics and thanked everyone for their attendance before asking that introductions be made from around the table only due to time constraints.

Swearing-In Ceremony

Mr. Poleo administered the Oath of Office to Ms. Virna Winters, U.S. Department of Commerce and Admiral Jonathan Yuen, U.S. Department of the Navy, and welcomed them as Commission members. Mr. Kermit C. Jones, Chief of Staff, read the official Commissions signed by Secretary of State Hillary Clinton.

Mr. Poleo announced that there is now a full Commission with 15 active Presidential appointees.

II. Consideration of Minutes

Mr. Poleo explained that there were no minutes for consideration. Previously, Ms. Phifer distributed minutes from the July Executive Session to the members.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, reported that the Commission provided a response to the U.S. Government Accountability Office (GAO) based on their written report dated May 30, 2013. Ms. Ballard stated the five recommendations and the Commission's responses. They are as follows:

- 1) To promote greater accountability for program effectiveness, efficiency, and integrity, the Chairperson of the U.S. AbilityOne Commission should direct the AbilityOne Commission to enter into a written agreement with each central nonprofit agency (CAN) within reasonable established time frames, such as within 18 months.

Ms. Nancy Myrick, Director of Policy, is leading the Commission's effort and she has engaged the Defense Acquisition University (DAU) and is working on developing a written agreement. The requirement for the written agreement is due by July 2015.

- 2) To further improve oversight and transparency in the AbilityOne Program, the Chairperson of the U.S. AbilityOne Commission should routinely obtain from the CNA any audits and reports of alleged misconduct or other internal controls violations, and information on corrective actions taken by the CNAs.

Mr. Lou Bartalot, Director of Compliance, has a draft policy and it will be circulated to members before it is finalized.

- 3) To further improve oversight and transparency in the AbilityOne Program, the Chairperson of the U.S. AbilityOne Commission should take additional action to better ensure that the CNAs' processes of assigning projects to affiliated agencies result in a transparent and equitable distribution.

Ms. Kimberly Zeich, Deputy Executive Director has drafted a policy for comments by members. The policy is actually an update from an existing policy, based on comments from GAO. It also covers recommendations from the CNAs to the Commission as to who will perform work on the Procurement List (PL).

- 4) To further improvement oversight and transparency in the AbilityOne Program, the Chairperson of the AbilityOne Commission should develop more explicit and transparent written procedures for how Commission staff review pricing packages and clearly communicate these procedures to affiliates and the CNAs. Such communication might also highlight the most common reasons that pricing packages are rejected by Commission staff.

Ms. Patricia Briscoe, Deputy Director of Business Operations, (Pricing and Information Management), has provided updates to pricing approved by the Commission. Ms. Briscoe has been working on a backlog of CNA price submissions.

The Commission has revised and disseminated Pricing Manuals for PL Products and Service submissions, revised and disseminated addition manuals for PL Product and Service submissions, drafted internal Standard Operating Procedures for reviewing price submissions, participated in CNA teams' discussions focused on price submissions, and revised current Commission Pricing policy.

- 5) To further improve oversight and transparency in the AbilityOne Program, the Chairperson of the U.S. AbilityOne Commission should require the CNAs to provide current pricing information to enable the Commission to better identify instances when current prices differ from approved prices.

The Commission is institutionalizing corrections by pursuing systemic fixes to price changes procedures, revised Commission pricing notices to Contracting Activities and CNAs to include the regulatory requirement, and increased effort to educate Government activities/contracting officers on Commission regulations and policies.

Ms. Ballard said that the report was submitted by Mr. Kermit C. Jones, Chief of Staff, to GAO ahead of the September 30th deadline.

Ms. Ballard also reported on Definition, Suitability, and Process (DSP) Recommendations and feedback that have been received. The Commission staff has held several DSP sessions, one at an NAEPB meeting, the LIBT Conference, the NCSE Conference Chicago, and a webinar involving members of ACCSES.

Ms. Ballard said the members can experience feedback first-hand at a session held during the NIB Conference on Thursday. The DSP facilitators will brief the recommendations collected during the sessions and webinars. She said some of the early feedback has been consistent in stating that the definition should not include NIB in the results because the original charter does not include NIB in the definition.

There is a concern that some recommendations are seeking to leverage the AbilityOne Program's rules to effect changes in the broader Vocational Rehabilitation system, and that the proposed rules for adults under 24 years old would be essentially precluded from participating in employment through the AbilityOne Program.

Ms. Ballard said the Executive Session in November will have to be rescheduled.

IV. CNA Reports

NIB

Mr. Kevin Lynch, President and CEO, National Industries for the Blind (NIB), welcomed and thanked all the Commission members for attending the conference. He said there was an excellent morning session followed by the awards luncheon and Commission update.

Mr. Lynch reported that there were 800 registered attendees, including 76 agency Employees of the Year. There were great networking opportunities at the Expo which included 94 exhibitors. The conference also highlighted some dynamic keynote speakers: Brig. General Steven Shapiro, Commander, DLA Troop Support, Mr. Roger Waldron, President, Coalition for Government Procurement and Ms. Judith Garcia Galiana, Vice President, Organizational Change Management, 3M Corporation.

Mr. Lynch announced that the Business Management Training Program was relaunched during the week of September 22nd. They have 20 participants from 16 agencies and NIB. One-third of agency participants are direct labor employees. During this cycle, NIB will be partnering with George Mason University's School of Management. Some of the training topics will include general management, strategic thinking and planning, business ethics and business development.

Mr. Lynch reported on business results through the third quarter of FY 2014. He said AbilityOne Direct Labor Hours were 4,092 million in FY 2013 compared to 3,887 million in FY 2014, a difference of five percent. On a positive note, new blind work years experienced a 7.5 percent increase from 188 in FY 2013 to 202 in FY 2014. Sales are stabilizing but employment losses are not yet stabilized.

In regards to Essentially the Same (ETS), Mr. Lynch stressed its importance and said the average (PL) addition still takes 400 days to process. He said eliminating ETS increases AbilityOne Program sales without the PL delay, creating immediate employment for people who are blind or have significant disabilities. Mr. Lynch expressed his appreciation to the Commission for its Interim ETS Policy, which he called an important first step towards a formal policy.

NIB has commissioned LMI, a think tank nonprofit organization, to review the ETS issue on behalf of the Commission. LMI's analysis provided recommendations that focused on ETS determination, ETS policy alignment, compliance monitoring and enforcement. Mr. Lynch showed the impact of ETS and listed the distributors who are impacting AbilityOne sales and employment.

In response to a question from Mr. Robert Kelly, Mr. Lynch said the ETS problem has existed as commercial contractors have been brought in. He said it had not been a problem when NIB was selling products directly through the GSA Depot Program.

SourceAmerica

Mr. Robert Chamberlin, President and CEO, SourceAmerica congratulated Mr. Lynch and his staff on a great conference. He said the morning sessions were great and SourceAmerica always uses the NIB Conference as a learning experience for planning its own conference.

Mr. Chamberlin reported on the number of AbilityOne and SourceAmerica jobs from FY 2011 to the projections for FY 2014. FY 2011 had a total of 45,787 jobs compared to 42,274 in FY 2014. He also did a comparison of AbilityOne and Non-AbilityOne jobs. Next, he did comparisons of the number of SourceAmerica PL Additions from 2011 to 2014.

On a brighter note, Mr. Chamberlin discussed the Quality Work Environment (QWE) initiative and said the estimated number of CRPs who have completed self-assessments in FY 2014 is 279. He said 83 percent of AbilityOne employees are participating in QWE.

Next, Mr. Chamberlin talked about the Employee Research System (ERS). He said 70 percent of employees in the program are in the ERS system which tells you exactly what is happening, not estimates.

SourceAmerica is continuing to focus and restructure their business development process. Mr. Chamberlin said they are restructuring how business development is done on the Federal side. They will continue to focus on centralized AbilityOne Business development and separate commercial business development.

Mr. Chamberlin said SourceAmerica is leveraging commercial relationship with a number of companies and corporations. Here is a sampling:

- Alcoa – digitization
- Miami Herald – assembling newspaper inserts
- Frito Lay – distribution
- Walt Disney – laundry services for costumes

SourceAmerica has a number of Employment Initiatives which include mandating all SourceAmerica contracts to include employment for people with significant disabilities. Also they have contract support with a Veterans with Disabilities Program. SourceAmerica hired two veterans and five veterans were hired in the Federal Government and NPAs.

SourceAmerica also continues to raise awareness to build jobs through public relations. They recently launched a social media campaign on Facebook and Twitter. Public relations continues to get national and local coverage and recently had a segment on Fox Channel 5 Morning News featuring Mr. John Kelly, Government Affairs. A SourceAmerica employee from Norfolk, VA, and his father were interviewed.

Mr. Chamberlin announced that nominations are open for the 2014 SourceAmerica Achievement Awards program and agency or individual employee nominations are encouraged.

On September 17th, a Government Executive event was held which heightened awareness of AbilityOne and SourceAmerica to more than 100 individuals in the Federal acquisition community. Keynote speakers included Ms. Christina Harada (GSA) and Ms. Lesley Field (OFPP) and Ms. Connie McClendon from the Speakers Bureau shared her story.

Mr. Chamberlin ended his presentation by showing a video featuring the Pathways to Careers Program.

V. BSC Update

Mr. Mike Gilliam, San Antonio Lighthouse for the Blind and NAEPB Chair, gave an update on the base supply centers. Mr. Gilliam stated that the BSC Program is the single most important program across the AbilityOne Program. He said it accounts for nearly 900 jobs for people who are blind. There are 20 BSC-operating agencies over 50 percent of blind employment and 75 percent of rehabilitation and placement services.

Mr. Gilliam outlined the current status of BSCs. He said the year-over-year sales have been relatively flat, but there was a slight uptick last quarter (July – September). The new MICC Letter of Support was distributed with the support of Army Commission member, Mr. Harry Hallock. Mr. Gilliam said Army headquarters helped rewrite the government purchasing card policy. Additionally, the 4PL Pilot with GSA is moving forward.

In accordance with policy, Mr. Gilliam said the BSCs have consistent and regular compliance audits. Every store is audited every three years on 100 best practices such as cleanliness, customer service, signage and merchandising. The policy is very stringent in regards to ETS.

Some of the challenges the BSCs are experiencing include maintaining positioning and visibility, and changes in policy, organizational structure systems and strategic sourcing. There is also an ongoing conflict with small business.

VI. BISM Presentation

Mr. Fred Puente, President, Blind Industries and Services of Maryland (BISM), thanked the Commission members for the opportunity to make a presentation to request exemption from the CNA Fee on an individual item. First, Mr. Puente stated that BISM would not exist without the support of NIB. Next, he showed a five-minute video about the cutting services.

Mr. Puente said BISM is a 501(c)(3) not-for-profit company, created in 1908, that provides employment and non-visual training opportunities for people who are blind. BISM currently employs over 500 associates at 14 locations in six states.

Mr. Puente said BISM currently operates textiles cutting facilities in Baltimore and Salisbury, Maryland and in Raleigh, North Carolina. The average wages for cutting associates range from \$11.16 to \$12.10 per hour.

BISM believes that the CNA fee is inappropriate on contracts where the cost of raw materials is more than 67 percent of the purchase price. According to Mr. Puente, the CNA fee negatively impacts BISM's ability to maintain and create blind jobs. BISM is responsible for purchasing all the necessary equipment, financing millions of dollars of inventory, providing and paying for all of the labor and associate benefits and BISM assumes all risk.

Mr. Puente stated that everything in the program has changed except the CNA fee. He gave a brief history of NIB's CNA fees for BISM Cutting Contracts from 1999 through 2009. In 2009, BISM decided to put the contract on the PL to protect the jobs. In 2011, BISM approached NIB and asked for a reduction in how the fee is calculated because BISM's labor rate remained the same, while the cost of the fees increased tremendously and cut into BISM's margin.

NIB informed Mr. Puente that the Commission sets the fee and the NIB Board determines the fee. BISM decided to appeal to the NIB Board in December 2013 and were given three reasons why they could not honor their request: 1) The U.S. AbilityOne Commission regulations state that the fees charged by the CNAs shall be calculated based on nonprofit associated agency sales to the Federal Government under the AbilityOne Program. Therefore, NIB cannot establish fees based on labor and other costs. 2) Because the CNA fee is added after an agency determines its cost for producing the product, the Commission and the Federal customer have taken the position if the CNA fee is reduced, it should benefit the customer. As a result, NIB associated agencies would not benefit from a reduction in the CNA fee. 3) While the U.S. AbilityOne Commission has the authority to set the fee ceiling charged by NIB and SourceAmerica, it does not have the authority to set fees on individual projects. Those decisions are up to the CNAs.

Mr. Puente then appealed to the Commission staff. As the only authority available was to ensure the fee ceiling was not being exceeded, and it wasn't, the appeal was denied. However, Ms. Ballard invited Mr. Puente to bring the larger issue of lack of fee flexibility before the Commission. Mr. Puente asked the Commission members to encourage NIB to adopt the SourceAmerica policy to adjust the fee. SourceAmerica has established a precedent of not charging a fee on the cost of raw materials when it is a significant portion (over 67%) of the total cost. BISM believes this practice promotes job growth, opportunities and additions to the PL.

Mr. Puente requested that the Commission encourage the NIB Board to adopt BISM's proposal for an adjusted fee on individual items within 30 days. He said if NIB refused, BISM requests that the Commission draft an administrative procedure to allow the Commission to issue or grant a waiver on individual items based on Administrative Memorandum 11.

In response to an inquiry from Ms. Karen McCulloh, Private Citizen member, Mr. Puente said he believes that his situation is unique. Mr. Lynch said the situation at BISM is not unique, and there are other agencies experiencing similar situations.

Mr. Kesteloot asked if BISM has thought about dropping the cutting contract. Mr. Puente responded that no decisions have been made, but it is a real possibility that will have a tremendous impact on blind employment.

Mr. Anil Lewis, Private Citizen member, inquired whether the contract being added to the PL has increased costs. Mr. Puente said the contract was added to protect blind jobs but there has been a huge difference in BISM's profit margin. Mr. Lynch said he would like to address questions from members during a future meeting so that he can give a more detailed explanation.

Ms. Ballard said NIB should be given an opportunity so they are not at a disadvantage. It was agreed that Mr. Lynch would address the Commission members during an Executive Session in November. During that session, Mr. Chamberlin will explain SourceAmerica's policy. Mr. Lynch said this issue has been reviewed by the NIB Board on three separate occasions and information has been made available to the Commission and is ready to be distributed to the members.

Mr. Poleo thanked Mr. Puente for bringing a hearty topic to the meeting and confirmed that the Executive Session in November would be expanded to include the CNA discussion.

VII. Quality Work Environment (QWE)

Ms. Kimberly Zeich, Deputy Executive Director, U.S. AbilityOne Commission, gave an update on the Quality Work Environment (QWE) Initiative. First, Ms. Zeich gave some background on the initiative and defined some of the frequently used acronyms. She said the concept of QWE is rooted in the Commission's Mission and Vision Statement from the Strategic Plan. The QWE Initiative was established in January 2009, when Commission members developed guiding principles to promote the AbilityOne workforce. QWE mainly focuses on the employee's opportunity to have choices, supports, workforce flexibilities, an integrated work environment, competitive wages and benefits, access to training and a clear path to career advancement.

Ms. Zeich said the QWE is a continuous improvement opportunity and gives leaders the opportunity to share best practices. A collaborative approach was taken with CNAs and NPAs which resulted in buy-in and continuous improvement approach. QWE and the Commission sought input among the participants across the AbilityOne Program. The QWE Initiative is a voluntary program but there has been discussion on making it mandatory.

According to Ms. Zeich, QWE participation is measured by the number of NPAs and the percentage of employees.

The QWE Steering Committee was established in 2009 to identify, vet and help disseminate best practices. The Steering Committee included members from the Commission, SourceAmerica, and NIB. There were also outside experts from public policy and private sector employment included. After the initial meetings, the committee members volunteered to continue as ambassadors to assist with roll-out and recommend improvements.

Mr. Lou Moneymaker, BOSMA Enterprises serves as Chair and Mr. Steve Perdue, President of Grand Tranverse, serves as Vice Chair. During the next Steering Committee meeting, two direct labor employees will come on board as new members.

Next, Ms. Zeich gave statistics for those agencies that completed self-assessments, developed action plans, and implemented action plans. Some of the agencies have been through the cycle more than once and some are on their fourth cycle of assessments.

At the May 2014 Commission Meeting, Mr. Reinhard Mabry, President of Alphapointe, made a presentation to the members. Mr. Mabry discussed the resource and budget restraints as well as other barriers that prevent some agencies from embarking on QWE. Ms. Zeich pointed out that the QWE Initiative was established before recent budget austerity, military drawdowns, sequestration and financial challenges. The QWE Steering Group continues to search for ways to increase participation on a voluntary basis.

Ms. Angela Hartley, NIB, and Mr. Martin Gerry, SourceAmerica are the Executive Sponsors from the CNAs. The Steering Group continues to look at the pros and cons of mandatory vs. voluntary QWE. Some of the barriers include resource constraints, business environment and competing priorities, lack of awareness and lack of engagement. The group is also looking at strategies to increase participation to get to full QWE adoption. Some of the strategies include leadership encouragement and incentives, streamlining and improving process guidelines and scheduling flexibility for smaller NPAs, and revisiting recommendations on whether to require QWE for new NPAs and all current participants.

Mr. Anil Lewis, Private Citizen member, said that some of the smaller organizations are in need of what QWE has to offer but may be unable to participate because of restraints. Ms. Zeich said she will ensure that input is sought from the smaller organizations and will continue to look at methods for that type of outreach.

VIII. Closing Remarks

Mr. Poleo asked if there were any closing remarks from the Executive Director or members. He said there was one hard action to reschedule the date of the Executive Session and decide on the agenda and presentations.

Mr. Kesteloot commended Ms. Ballard, Ms. Zeich, and Mr. Poleo for their efforts to take a closer look at ETS and for taking bold steps to resolve the issues surrounding this controversial topic. Mr. Poleo adjourned the meeting at 5:55 pm.

List of Attendees – October 8, 2014

Committee Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs (via teleconference)
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Anil Lewis	Private Citizen
Kathy Martinez	U.S. Department of Labor/ODEP (via teleconference)
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force (via teleconference)
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce
Jonathan Yuen	U.S. Department of the Navy

Commission Staff

Tina Ballard
Lou Bartalot
Robert Hartt
Kermit Jones
Muzaffar Khamet
Stephanie Lesko
Barry Lineback
Dennis Lockard
Nancy Myrick
Angela Phifer
George Selby
Zafor Ullah
Wakita Wilson
Edward Yang
Kimberly Zeich

SourceAmerica

Rebecca Brizee
Leejay Acham
Deborah Atkinson
E. Robert Chamberlin
Brian DeAtley
Dennis Fields
Nancyellen Gentile
Martin Gerry
Elizabeth Goodman
John Kelly
Heath Rehkop

Martin Williams

NIB

Steve Brice
Bill Carty, Board
Tony Cobb
Kathy Gallagher
Angela Hartley
Lou Jablonski, Board
Kyna Kirkland
Melt Klovas
Gary Krump, Board Chair
Heather Lyons
Kevin Lynch
John Qua
Marie-France Vareilles
Matt Wieseler

Government Representatives/Staffers

Veronica Alexander	U.S. Department of the Army
Lt. Sean Moody	U.S. Department of the Navy

Others

Kirk Adams	Seattle Lighthouse
Barbara Barnard	ORC Industries, Inc.
Allen Connel	Keystone Vocational Services
Christina Davis	BISM
Guy Derosse	BISM
Harriet Farmer	CPSI Consulting
Mike Gilliam	San Antonio Lighthouse
Craig Hallman	Zep Inc.
David Horton	Winston-Salem IFB
Katie Humphreys	CABVI
Robert Johnson	Seattle Lighthouse
Kevin Kelley	Georgia Industries for the Blind
Dan Kelly	Winston-Salem IFB
Jim Kerlin	Beyond Vision
Barbara Kesteloot	Private Citizen
Luis Lebron	Virginia Industries for the Blind
Terrence Longo	Chicago Lighthouse
David LoPresti	Industries of the Blind
Tizoc Lozo	Northrop Grumman Corporation
Reinhard Mabry	Alphapointe
Patrick MacBride	Outlook Nebraska, Inc.
John Mascia	Alabama Industries for the Blind
Lou Moneymaker	Bosma Enterprises

Egon Muelaer
Sam Rodriguez
Buddy Sell
Harris Singer
Eric Stuerkrath
Janet Szlyk
Pat Thomas
Pamela Tully
David Thompson
Karen Walls
Bill Wiener

Beyond Vision
Seattle Lighthouse
Envision
Bosma Enterprises
Outlook Nebraska, Inc.
The Chicago Lighthouse for the Blind
Virginia Industries for the Blind
The Chicago Lighthouse for the Blind
Industries of the Blind
Midwest Enterprises for the Blind
Industries of the Blind

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Wednesday, November 19, 2014

8:30 a.m.

I. Opening Remarks

Committee Chairperson, Mr. J. Anthony Poleo, called the meeting to order at 8:35 a.m. and made some brief opening remarks. He discussed the full day's agenda and thanked everyone for their attendance before asking that introductions be made.

II. Consideration of Minutes

There were no further changes to the October minutes previously sent by Ms. Angela Phifer, Commission Executive Assistant. Ms. Karen McCulloh, Private Citizen made a motion to accept the minutes and her motion received a second from Mr. Thomas Robinson, Department of the Navy. The minutes were adopted by unanimous vote.

III. Central Nonprofit Agency (CNA) Fee Application and Regulation

Mr. Kevin Lynch, President and CEO, National Industries for the Blind, was asked during the October meeting to provide a presentation to the Commission members regarding the CNA fee. Mr. Steve Brice, NIB, and Ms. Elizabeth Goodman, SourceAmerica, collaborated on the presentation.

First, Mr. Lynch provided a brief history of the CNA fee. He stated the original Wagner-O'Day Act made no provision to finance a CNA. In 1938, the nonprofit agencies created NIB and proposed a formula to pay for the cost of operations. On December 31, 1938, the NIB Board approved the agencies' recommendation of a fee "not to exceed five percent of the selling price of all orders placed through National Industries for the Blind." When the Act was modified in 1971 and became the Javits-Wagner-O'Day Act, a provision was made to "designate a central nonprofit agency or agencies." After this modification to the Act, regulations were established by the Federal agency (today known as the Commission) which state that a fee may be charged by the CNA, and that the Committee [Commission] will establish the fee ceiling.

Mr. Lynch also reviewed regulatory fee references: the Code of Federal Regulations states the powers and responsibilities of the Committee for Purchase From People Who Are Blind or Severely Disabled and it also articulates the roles of the central nonprofit agencies and nonprofit agencies. These regulations are located in Title 41, Chapter 51, Parts 51-2, 3, and 4.

Next, Ms. Goodman spoke about SourceAmerica's CNA fee processes. Following the Commission's review and approval of the fee ceiling, the SourceAmerica Board of Directors annually reviews and approves the budget and CNA fee for SourceAmerica. Their current fee is 3.85 percent and is applied to invoiced amounts (what the nonprofit agencies are paid by the Government for the products and services provided). No fee is applied to freight and other cost components under specific situations.

Ms. Goodman said the Board-approved fee policy incorporates the Commission's guidance as stated in the current Administrative Memorandum No. 11. SourceAmerica's Fee Policy was last updated in July 2014 and addresses fee variances related to significant employment growth, contract size and job preservation. She emphasized that any savings resulting from a reduction in the fee assessed by SourceAmerica (beneath the ceiling) are passed to the Federal buyer. Ms. Goodman described the different types of grant and loan programs offered by SourceAmerica which are financed by fee revenue. These include funding for the Ideas to Work Grants, contract start up grants, loan program for equipment and working capital and a critical assistance loan program.

A question was asked about how the CNAs handle situations where the raw materials and cost of manufacturing go up, thereby consuming a larger share of the price received by the nonprofit agency. Mr. Lynch said if the costs go up, the NPA can request a price change. The fee is not a part of the costing process. Ms. McCulloh asked if jobs are at risk, and if the price cannot be raised, does NIB consider a reduction in the fee charged. Mr. Lynch noted the price is set by the Commission, and NIB uses grant programs and rehabilitation engineers to assist agencies in identifying greater efficiencies as a way to assist with those situations.

Mr. Lewis expressed his view that it is the Commission's role to set the fee ceiling and the CNA's role to implement it. He said the difference he sees between NIB and SourceAmerica in their implementation is that SourceAmerica shows some flexibility, if possible. He also asked the Commission Members if the application of the fee is a disincentive to add an item to the procurement list, or if it is more profitable for nonprofits to pursue contracts outside of AbilityOne. If the latter, he is not sure how much the Commission can influence it. Mr. Poleo said this issue could be discussed further during the afternoon session.

Mr. Kesteloot asked to clarify the reason why Mr. Lynch was asked to discuss this issue. Mr. Poleo responded that this is an educational session for the two CNAs to provide information to the Commission members.

Ms. Goodman said that SourceAmerica provided some financial assistance programs during the government shutdown in October 2013. During Hurricane Katrina, SourceAmerica also offered assistance programs to help agencies cover payroll costs. SourceAmerica provided millions of dollars through these programs to help their agencies through the crises.

Ms. Ballard inquired whether there is a fee for service. Ms. Goodman said the CNAs are not run as fee-for-service organizations. For example, they do not charge for training.

Ms. McCulloh asked what the Commission members could do to assist agencies like BISM. [BISM made a presentation in October requesting relief from the CNA fee on their cutting projects. In part, BISM said they are unlikely to negotiate a higher price with the customer, but their costs have risen.] Mr. Lynch responded that the price is set by the Commission and the nonprofit agency has availability to request a price increase and the government customer has the option to negotiate. He said the Commission has told federal customers the CNA fee is not a part of the negotiation process. Ms. McCulloh expressed her concern with keeping people employed and maintaining jobs.

Mr. Lewis asked Mr. Lynch whether NIB has ever made an exception to its policy to charge the full fee ceiling amount. Mr. Lynch said there was only one exception made by the Board in 1994, when there was a reduction in fee granted on a particular product manufactured by multiple nonprofit agencies that had been challenged in court and had to be removed from the Procurement List. The agencies lost two years of production until the product was re-added to the list, and the NIB Board reduced the fee to 2% on that product for a one year period. However, this practice was challenged by other nonprofit agencies that also experienced financial hardships and the NIB Board discontinued the practice afterwards.

Mr. Brice discussed several programs and incentives the NIB Board has approved that address fee revenues and address fee levels. Their "New Project Incentive" waives the fee for the first six months of production or service, with the nonprofit agency retaining the difference in the fair market price. NIB has an Employment Growth Reward Incentive in which they create a pool of \$300,000 that is divided among agencies that reach the incentive level based on the number of jobs created. If NIB agencies' sales grow to a certain level, they add more money to the pool. NIB offers grant and loan programs, including a Compensation and Productivity Grant Program and a Contractor Compliance Grant Program. Their Employment Growth Loan Program enables nonprofit agencies to buy new equipment, for example, and they do not have to begin payment for six months.

Mr. Lynch summarized the key points of his presentation as follows. The CNA fee is a program fee and is not a fee-for-service. The NIB Board reviews their nonprofit agencies' requests for fee reductions and has an appeal process. NIB management does not have the discretion to reduce the CNA fee. The Commission (Committee for Purchase, at the time) conducted a comprehensive review of the CNA fee in 1990, to include looking at other methods for fee to be collected. The conclusion reached at that time was that the current method was far superior than other options considered.

Mr. Lewis asked whether BISM received the New Project Incentive 6-month waiver when the cutting project was added to the Procurement List. Mr. Lynch responded affirmatively, that BISM received the fee waiver for 6 months, but did not subsequently reach the 50 FTE requirement to receive the Employment Growth Reward incentive. In response to Mr. Lewis' other question, Mr. Lynch agreed that BISM started work on the cutting project before the requirement was added to the Procurement List, but noted this circumstance is very rare. When the cutting work was previously contracted outside of the AbilityOne Program, BISM paid NIB a 1% fee the first year of that contract.

IV. Recognitions/Awards

Committee Chairperson Poleo presented Mr. Dennis Lockard, Committee Counsel with the Outstanding Contributions Award. This award recognizes Federal employees for their exceptional efforts in creating AbilityOne employment opportunities on Federal contracts. Mr. Lockard planned to retire in January 2015.

Mr. Poleo asked Chief of Staff, Mr. Kermit Jones, to review Mr. Lockard's contributions. He said Mr. Lockard has been a member of the Commission staff's Executive Leadership team since joining the Commission in September 2007 as General Counsel. Mr. Lockard has contributed much to the AbilityOne Program over the past seven years. He played a major role in the development of the AbilityOne brand, regulatory agenda and legislative initiatives; was responsible for legal review of all Procurement List additions as well as compliance with the Freedom of Information Act; and he oversaw the Agency's litigation. He also shepherded the Commission in several groundbreaking legal areas, including the first AbilityOne trademark agreement and implementation of new agency policy.

Next, Mr. Poleo presented E. Robert Chamberlin, President & CEO, SourceAmerica with the FDR Award for Leadership and Service. This award was established to recognize sustained, extraordinary accomplishment related to the agency and the AbilityOne Program. It honors an outstanding leader who consistently demonstrates strength, integrity, industry and a relentless commitment to public service. According to Mr. Jones, the award is given sparingly, and may be presented to a current or former member of the Commission or staff.

Mr. Jones said Mr. Chamberlin has contributed much to the AbilityOne Program for nearly two decades. He served as the Department of Defense Commission member from 1998-1999. After his retirement, he joined SourceAmerica as Vice President of Operations in December 1999, and then transitioned to President & CEO in August 2000. Mr. Chamberlin will retire in January 2015. Mr. Jones outlined some of Mr. Chamberlin's many accomplishments such as: the development of two new brands (AbilityOne and SourceAmerica), a new program website, national advertising campaigns, and grassroots advocacy conferences. SourceAmerica also focused on developing strategic business lines and fostering customer partnerships in areas such as secure document destruction, laundry, and total facilities maintenance.

V. NIB Building Purchase

Mr. Kevin Lynch, President & CEO, and Mr. Gary Krump, NIB Board Chair were asked to make a presentation to inform the Commission about the proposed NIB building project. With NIB's current lease near expiration, NIB advised the Commission that it weighed many options and decided to purchase land and construct a new building.

Ms. Angela Hartley, NIB, gave a summary of the factors NIB considered. Some of the options that were explored include renewing the lease (the landlord is requiring a 15-year commitment) and relocation. Some of the advantages of the current location include access to the METRO and public transit, close proximity to key stakeholders, and close proximity to the Washington Reagan airport. Some of the disadvantages of the current location include, the shape and design

of the building (accessibility), space limitations (employment growth) and needed renovations, and necessary improvements to key systems (elevator, ventilation, etc.).

Mr. Steve Brice, NIB, said there were several guiding principles for a new building, including: a building designed with accessibility, room for future growth potential, and a building that meets government standards for energy efficiency. A new building should also have all the advantages of the current building including excellent public transit and close proximity to airports, and a location close to key stakeholders.

Mr. Brice showed a 15-year analysis comparing what NIB determined to be their best options, either extending the lease at Braddock Place or purchasing a new building at Potomac Yard. Mr. Brice fielded many questions from Commission members regarding the financial implications, maintenance, energy efficiency and other factors. The financial model Mr. Brice presented showed that by the end of the 15-year period, the purchase option at Potomac Yard is a more advantageous use of NIB resources than continuing the lease at Braddock Place.

Mr. Kesteloot inquired about the total cost of construction and Mr. Brice said it is \$32.9 million. NIB anticipates receiving a \$10 million revenue bond from the city of Alexandria. In response to questions from Ms. Ballard regarding square footage, Mr. Brice said NIB expects to build a total of 70,000 square feet. Of that, 10,000 will be leased to the developer for retail on the first floor. NIB will occupy approximately 40,000 square feet and lease the remaining 20,000 square feet to similar organizations.

Ms. McCulloh asked if cross disabilities were considered in the design of the building. Ms. Hartley assured Ms. McCulloh that it was indeed a key consideration that the building be universally accessible. Ms. Hartley accepted Ms. McCulloh's invitation to travel to Chicago to tour a state-of-the-art universally accessible building.

Ms. Hartley said NIB is comfortable with the "Washington Post test". She went on to discuss the messaging aspects of the building. The construction of the building will be a universal design, cost effective, and energy efficient. She said NIB anticipates receiving tax exempt bonds from the city of Alexandria. In addition, there will be sufficient conference space to host training and special events which will be a huge cost savings for the organization.

Mr. Robinson inquired whether NIB is flexible with the existing leasing arrangement. Mr. Brice replied that the current lease expires in January 2018 and there is a possibility to extend. Mr. Poleo asked how much square footage would be lost if NIB's current space at Braddock Place is renovated, to which Mr. Brice responded it would be a small amount. Mr. Lynch added the current building infrastructure locates major building components in the middle, which restricts expansion of training and other areas.

Mr. Kesteloot inquired about NIB resources and Mr. Lynch assured him that the NIB Board (which includes ten associated agency CEOs) conducted a thorough financial review and voted to approve the construction of a new building. Mr. Kelly asked if NIB considered other options and Mr. Brice responded that there were a few others, but they had limited access to a METRO station.

In response to a question from Ms. Ballard, Mr. Brice said NIB has a signed agreement and contract with a developer. He said there are many processes that haven't begun yet, such as city zoning. He expects zoning approval by June 2016. Ms. McCulloh inquired about the number of floors. Mr. Brice replied that they are still working on the design of the building and the number of floors has yet to be finalized, but is expected to be 4-7 floors.

VI. Lakeview Center Pilot Project Update

Mr. Rich Gilmartin, Lakeview Center (d.b.a. Gulf Coast Enterprises (GCE)) began with an overview of the purpose of Lakeview's Pilot Project. The project focuses on operating the IT security systems for the Defense Manpower Data Center, which is the human resources data center for active duty military personnel. Among their duties, they verify and operationalize military entitlements and benefits. In performing IT services for this customer, GCE provides a variety of accommodations, including flexible schedules, and workplace adaptive technologies, for individuals to secure and maintain employment despite any significant disabilities they have. GCE employs many wounded warriors and disabled veterans who would otherwise be unable to maintain employment due to frequent absences for their medical impairments.

Ms. Mary Dixon, Director, Defense Manpower Data Center, gave the customer's perspective on this project. She said the contract performed by GCE under the AbilityOne Program serves DoD active duty and retirees, as well as their family members, and has been very successful. Through the Wounded Warriors Program, 136 veterans have been hired. Ms. Dixon said although candidates can volunteer information about their disabilities, federal employment regulations restrict what candidates have to disclose. Some of the positions associated with the pilot include Business Analysts, Project Managers, Quality Assurance and Software Engineers.

Ms. Dixon discussed the work associated with the data center contract. She said the project does five million transactions a day, maintaining several websites and databases. They support the Affordable Care Act and fulfillment of prescriptions among the many benefits managed. The workers are highly skilled in IT and are growing in responsibility, she said. They employ wounded warriors and disabled veterans.

Ms. McCulloh inquired about the current percentage of wounded warriors. Mr. Gilmartin said they are half-way into the pilot program, with 30 veterans and 20 of whom have a significant disability. He said there are close to 100 total employees on staff (including management, supervision and indirect labor), and 35 percent of them have a significant disability.

Corporal Sebastian Ploszaj, U.S. Marine Corps, attended the Commission meeting as an employee and special guest of GCE. CPL Ploszaj sustained major injuries while serving in the Iraq war, including Post Traumatic Stress Disorder (PTSD) and legal blindness. CPL Ploszaj now serves as an information specialist with GCE on the AbilityOne project. He completed rigorous Enterprise Information Technical Services training and is a model employee.

Mr. Kesteloot asked CPL Ploszaj to describe his duties. CPL Ploszaj detailed his duties, which includes testing Common Access Cards (CAC), detecting computer program bugs, and resolving other IT security issues. Mr. Kelly expressed his appreciation for the work done by CPL Ploszaj.

Ms. McCulloh asked if they used an ADA Officer on the pilot. Mr. Gilmartin responded that GCE has Human Resource specialists at the two GCE contract operations sites, but not specific ADA officers. Ms. McCulloh also inquired about the types of training GCE is providing to persons with significant disabilities, to which Mr. Gilmartin and CPL Ploszaj responded most of the training is being accomplished through job shadowing and mentoring at this time.

Mr. Gilmartin detailed the challenges and lessons learned from the pilot. Some of the challenges include: timelines for securing government vetting of new personnel (Mr. Gilmartin said there have been challenges following the Navy Yard incident. He said they continue to have security clearance issues because that incident has had a huge impact on security), and recruitment of wounded warriors willing to locate in the two primary operational locations of this contract in Seaside, CA and Alexandria, VA, which have relatively high costs of living. Mr. Gilmartin said GCE believed that the government would furnish office space and equipment, but due to severe space and security constraints, GCE had to secure leased rental space in Lorton, VA, which has been successfully accomplished.

Mr. Micky Gazaway, SourceAmerica South Regional Director, thanked the Commission for approving their visionary project.

Mr. Kesteloot asked if the phase-in period for the pilot was adequate. Mr. Gilmartin said the pilot is in its 18th month which is half way through the three year period, and everything has not been addressed or resolved, so he felt the pilot period of three years seems about right.

Chairperson Poleo bestowed CPL Ploszaj, a Purple Heart recipient, with an AbilityOne Challenge coin.

VII. Definition, Suitability and Process (DSP)

Ms. Tina Ballard, Executive Director, introduced the DSP facilitators. She said the Commission staff has received informal feedback from more than 500 participants in CNA conferences, meetings and events. There were candid discussions during those feedback sessions and those informal comments will be discussed during the afternoon session.

Suitability Workgroup Presentation

Mr. Matt Wieseler, facilitator for this workgroup, introduced the members and reviewed the Suitability Charter. Suitability pertains to the regulatory criteria used by the Commission to determine that products and services are suitable for addition to the Procurement List. The DSP Review Group was to recommend any additions/deletions/edits to the existing criteria, what records/information should be required by the Commission to demonstrate suitability and what the Commission should thoroughly consider and document in their deliberations and decisions regarding suitability.

Commission-Approved Direction

The working group recommended that the Commission maintain the current four Suitability criteria, but further define what they mean or require, as follows:

- Employment Potential: expand scope and/or documentation to broadly represent employees within the AbilityOne Program
 - Provide a staffing plan that addresses recruiting, training plans, phase-ins (if applicable)
 - Include a transportation plan for off-site work
 - Attest to safety procedures
- NPA Qualifications: develop certification where NPA attests to meeting Regulation 51-4, Nonprofit Agency Compliance Policy
 - Align with Process to ensure document consistency
- Capability: refers to technical capability to fulfill contract requirements
 - Require submission of a technical plan or project development plan to Commission
- Impact: refers to the effect of the proposed addition on the local community, NPAs, and small businesses
 - To be modernized

The group's general recommendations are to include exemptions from documentation or demonstration requirements based on lower projected FTEs, low contract value, and/or prior experience where relevant. The group also recommended aligning its recommendations with streamlined or expedited addition procedures proposed by Process Subgroup.

Mr. Wieseler then reviewed the informal feedback received, by suitability criterion. For **Employment Potential**, there were no objections to this criterion being focused on the workforce. There was a concern raised that the proposed specificity of the criterion will create additional work for nonprofit agencies. A related concern voiced was whether nonprofit agencies would be required to submit the same documentation twice (to the Commission and to the CNA). There was a question as to whether the criterion would be the same for products and services.

The informal feedback on the **NPA Qualifications** criterion did not object to considering more than Direct Labor Ratio Compliance. The nonprofit agencies briefed on the recommendations wanted to know what the Annual "Reps and Certs" forms will look like with respect to NPA qualifications. There were some concerns about added complexity around changes to Regulation 51-4 (NPA qualifications) regarding placements, OSHA reporting, board governance.

There was minimal feedback regarding the **Capability** criterion, though some commented that submitting a technical plan could require additional work for nonprofit agencies, because plans evolve as the Statement of Work changes or is better understood. The concern would be if NPAs had to submit multiple iterations to satisfy the Commission and the customer. There was also a concern raised about divulging proprietary business information.

With respect to the final criterion, **Impact**, the main question was “how exactly will impact be modernized, and how will this affect new project addition timelines? Some questioned why include impact among the suitability criteria at all. Several recommendations were made, such as for the Commission to consider or include impact on employment of people with disabilities. It was suggested that some short-term fixes could be made to the current Impact process:

- Change threshold to 20% or 25%
- Require contractor certified financial data
- Strengthen language around related corporations

Finally, there was a lot of support among the audiences for a streamlined process for small projects. Nonprofit agencies were interested in understanding more about specific exemptions.

Process Workgroup Presentation

Mr. Leejay Acham, facilitator of the Process workgroup, introduced the members and reviewed its Charter: Process pertains to those elements of the Procurement List addition process that support the Commission’s decision-making, aside from suitability criteria. What records and documentation should be gathered, how is the information provided and substantiated? What is the appropriate role of the Central Nonprofit Agency and nonprofit agency in the process leading up to submission to the Commission?

Approach to Accomplish the Charter

Mr. Acham said the subgroup’s approach was to review key steps in the PL Addition Process where there was the opportunity to have a significant impact on shoring up the process and/or improving its efficiency.

Mr. Acham reviewed the findings, outputs and recommendations from July 2014 which included: information systems for preparing and submitting packages, the pricing process and pricing documentation requirements, package success rate, additions without sponsorship, representations and certifications, and feasibility and suitability assessment template. He also said streamlining information systems will greatly reduce or eliminate time spent on non-value added tasks for preparing and submitting packages. Implementing GAO recommendations will strengthen Commission oversight of the pricing process and Pricing Documentation Requirements.

It was also recommended that there be a review of pricing policies and procedures and documentation to implement changes to reduce PL cycle time and increase productivity. In addition, a recommendation was made to increase pricing package success rate and reduce PL cycle time by delineating stakeholder roles and responsibilities to ensure required information is provided.

Recommendations to the Commission – July 2014

Mr. Acham reviewed the workgroup's recommendations to the Commission from July 2014 which include:

1. Feasibility and Suitability Assessment Template
2. Additions without Sponsorship
3. Representations and Certifications
 - Annual Representations and Certifications
 - Project specific Reps & Certs
 - Certificate of Conformance (CoC)

Mr. Acham reviewed the steps in the PL process flowchart. He said they would not be adding additional steps. He also reviewed the Reps and Certs requirements and the Criteria for a Certificate of Conformance. Mr. Poleo asked if the Commission has the authority to make a unilateral Procurement List addition (legally, yes). Mr. Robinson asked for some clarification regarding when the Reps and Certs would be required, and when a Certificate of Conformance may be used.

Definition Team Brief

Ms. Deborah Atkinson, facilitator for the Definition workgroup, introduced the members and presented the charter. The definition workgroup is charged with a comprehensive review of the definition of “significantly disabled” referenced as “other severely disabled” in the JWOD Act. Per the JWOD Act, “other severely disabled” means an individual or a class of individuals under a physical or mental disability, other than blindness, which (according to criteria established by the Committee after consultation with appropriate entities of the Federal Government and taking into account the views of non-Federal Government entities representing the disabled) constitutes a substantial handicap to employment and is of a nature that prevents the individual from currently engaging in normal competitive employment.

Ms. Atkinson discussed how the group executed the approach to their recommendations and findings. Their guiding principles included:

- The final recommendations will not broaden, expand or reduce the definition of disability
- The final recommendations will focus on who the program was intended to serve
- Currently, there is language in the regulations that is not in step with today's disability thinking and is “offensive” to some. The definition workgroup will likely recommend revised language.
- There are misperceptions about the program, who it currently serves, and the quality of the jobs provided through the AbilityOne Program.

Some key concepts that impacted the group's recommendations included:

- Informed choice for people with significant disabilities
- Availability of/access to a placement program for AbilityOne employees

- Assurances that individuals who can work in competitive settings are provided the opportunity and are referred by the NPA to Vocational Rehabilitation, Veterans Affairs or other similar services
- Language changes
- Defining some terms
- Alignment with Quality Work Environment (QWE) principles

Ms. Atkinson said in July 2014 it was recommended that the Commission revise Option 3. Some of the concerns and reservations expressed include the fact that members made lots of compromises, there were references to reasonable accommodation, impact of semi-annual reviews, analysis of impact on NPAs and VR, the process did not include NIB NPAs, there was need for stakeholder input, and some current employees may not meet the new definition.

Definition of Disability Regulations draft highlights

- First provision amends definition of “severely disabled individual” (primarily used for counting direct labor for the ratio)
- Second provision addresses steps and documentation required before a NPA can accept an individual who is blind or an individual with other significant disabilities into the program
- Third provision proposes steps the NPA must take to ensure that AbilityOne employees are provided information and opportunities on an ongoing basis to explore, discover, and experience traditional competitive integrated employment
- Includes draft language for definitions, suggested steps, and suggestions for rules of construction
- Includes distinct provisions for youth and others (non-youth)
- Aligns regulations with Title 1 of the Rehabilitation Act and Title 1 of the ADA and Workforce Innovation and Opportunity Act (WIOA).

Revised Definition Summary

- Physical or mental impairments or a combination of impairments, and
- Employment has not occurred or currently is not occurring (as demonstrated by)
- Presence of 2 or more substantial functional limitations that impact ability to work
- Need for significant work related services and supports on an ongoing or recurrent basis
- Individuals who can perform the work with either reasonable or no accommodation do not qualify
- Rules call for alignment with the Rehab Act and ADA

Stakeholder Feedback – Definition

Ms. Atkinson said the majority of stakeholders were able to support the definition, which was contained in the first provision or section of the group’s recommendation. Stakeholders commented that it is consistent with current disability policy, and appears to be implementable without major burden to NPA or people with significant disabilities. Some voiced concern that it may narrow the current definition – the Commission’s regulations call for limitations in one (vice two) functional areas. One quote from an NPA executive was, “The definition is not so concerning but the rules of construction are disturbing.”

Rules of Construction and Additional Rules

The Rules of Construction provisions in the recommended Option 3 provide additional requirements for individuals to be able to meet the definition of blind or significantly disabled in order to be eligible to work in the AbilityOne Program. One distinction was for individuals under age 24. For consistency with other legislation and public policy, Option 3 provided several requirements such as referral to the state Vocational Rehabilitation agency for services, employment trials in integrated, competitive settings and documentation from a VR counselor that the individual was not likely to succeed in integrated, competitive employment. Individuals over 24 must receive information and referrals to independent third parties that provide assistance with finding competitive integrated employment. There were some Additional Rules applicable to all AbilityOne employees which included requirements to information and refer individuals about opportunities to attain competitive integrated employment, and to engage in self-advocacy, self-determination, and peer mentoring services.

Stakeholder Feedback on Rules of Construction

There was overwhelming negative feedback from the NPA audiences that received the briefings on the Definition group's Option 3.

- Several people commented that it calls for over-reliance on a “dysfunctional” system, meaning state VR agencies that are underfunded.
- Another frequent comment was that the recommendations break the principle of “do no harm.”
- Some found that the Rules of Construction and Additional Rules exceeded the scope of Definition workgroup charter; for example, the rules of construction extended to people who are blind and NIB NPAs, but NIB NPAs were not represented in workgroup discussion.
- Some commented that the recommendations levy significant administrative and financial burden on NPAs, particularly with the added requirements to provide information.
- Feedback included concern that the recommendations create significant burden for people with disabilities and people who are blind, including
 - Burden of proof on individual to produce documentation on eligibility, person centered plan and demonstration of good faith effort
 - Lacks respect for person's choice
 - Requires person to “bounce” between providers
 - May result in delays in service delivery to persons in need
 - Vulnerable population that already faces major and long term barriers to employment
- Audiences noted that the recommendation assumes integrated competitive employment opportunities for people with disabilities or who are blind are plentiful and could displace people who are working in the program without offering employment, services or supports equal or better to than the AbilityOne Program.

Following the presentations and lunch, Mr. Poleo announced the Commission members would go into a closed session.

List of Attendees – November 19, 2014

Committee Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs
Anil Lewis	Private Citizen (via teleconference)
Kathy Martinez	U.S. Department of Labor/ODEP (via teleconference)
Karen McCulloh	Private Citizen
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce

Commission Staff

Tina Ballard
Lou Bartalot
Patricia Briscoe
Robert Hartt
Amy Jensen
Kermit Jones
Barry Lineback
Dennis Lockard
Nancy Myrick
Angela Phifer
George Selby
Joan Smith
Kimberly Zeich

SourceAmerica

Leejay Acham
Deborah Atkinson
E. Robert Chamberlin
Dennis Fields
Micky Gazaway, South Region
Elizabeth Goodman

NIB

Steve Brice
Angela Hartley
Lou Jablonski, Board Vice-Chair (via teleconference)
Gary Krump, Board Chair

NIB (continued)

Kevin Lynch
Matt Wieseler

Government Representatives/Staffers

Serena Lowe	U.S. Department of Labor/ODEP
Curtis Smith	U.S. Department of the Army
William Sproule	U.S. Department of the Air Force

Others

Bob Daniels	
Christina Davis	BISM
Rich Gilmartin	Lakeview
CPL Sebastian Ploszaj	GCE
Jack Rizell	BISM
Dennis Steiner	VisionCorps (via teleconference)

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Wednesday, March 11, 2015

8:30 a.m.

I. Opening Remarks

Committee Chairperson, Mr. J. Anthony Poleo, called the meeting to order at 8:36 a.m. and made some brief opening remarks. First, Mr. Poleo recognized Mr. Steve Soroka, new President & CEO of SourceAmerica (replacing E. Robert Chamberlin) and Ms. Timi Kenealy, new Commission General Counsel (replacing Dennis Lockard). He discussed the day's agenda and thanked everyone for their attendance before asking that introductions be made.

II. Consideration of Minutes

There were no further changes to the November 19, 2014 minutes previously sent by Ms. Angela Phifer, Commission Executive Assistant. Mr. Anil Lewis, Private Citizen made a motion to accept the minutes and his motion received a second from Ms. Karen McCulloh. The minutes were adopted by unanimous vote.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, introduced Ms. Timi Kenealy as the new Commission General Counsel. Ms. Ballard gave some background on Ms. Kenealy's 15 years of experience and said she is well suited for the position. As part of the interviewing process, candidates were asked to analyze the Akima Protest and Ms. Kenealy's analysis proved superior to the other candidates.

Ms. Kimberly Zeich, Deputy Executive Director, reported on the Essentially the Same (ETS) Mitigation Actions. The Commission, NIB, and SourceAmerica, have been collaborating to reduce the availability and sale of ETS products to Federal customers, and developed a multi-faceted plan to reduce the sale and impact of competing products. An interim ETS Policy was issued in July 2014. There has not been any negative feedback. A finalized policy is expected later this month. Ms. Zeich said they also drafted a distributor policy and a procedure for non-compliant distributors.

In January 2015, the Commission, NIB and SourceAmerica held an Industry Day with the Federal Strategic Sourcing Initiative (FSSI) Office Products vendors and distributed drafts of the policy and procedures. The staff also sent them out to other authorized distributors for feedback. Once comments are reviewed, updates will be made. The policy deals with noncompliance and

will have a firm stance on incidents of noncompliance. It will offer due process and establish a standard procedure to address noncompliance.

Ms. Zeich said vetting has been completed of the ETS “A List”, in collaboration with GSA. About 1,000 Procurement List products and numerous additional commercial equivalents were reviewed and determined solid matches. She said the A List has the fastest moving items, mostly office products. She said there is also a B List to be reviewed, but the priority is to get the policies in place and the distributor policy and procedures will be finalized this month.

Mr. Sisk, GSA member, gave a briefing at the last Commission meeting regarding GSA Advantage. GSA has been working with the AbilityOne Program to remove ETS items from their GSA Advantage website. There have been three cycles of ETS remediation.

Next, Ms. Zeich gave an update on the suitability-related recommendations from the DSP Initiative. The Commission directed the Suitability team to establish policy and procedures to implement enhanced descriptions and documentation for these criteria: Employment Potential which pertains to the AbilityOne workforce: addressing staffing, training, transportation, and safety issues.

Ms. Zeich said a small team has been formed to look at developing a new impact analysis methodology. The team is still fleshing out their concept, which is to look at weighted evaluation factors and accepted Federal procurement practices. The methodology will determine whether there is a net benefit to the proposed Procurement List Addition (assessing trade-offs). They will not focus on the current contractor. Ms. Zeich said Mr. Matt Wiesler, NIB and the team are working hard and will bring recommendations to the Commission soon. Ms. Zeich said Ms. McCulloh made an excellent suggestion to have the original members of the suitability group take a look at the recommendations prior to distribution.

Ms. Ballard reported on the Process-related recommendations for DSP. She said the Commission approved refining the Annual and Project-level Representations and Certifications (“Reps and Certs”). She said the forms will no longer be referred to as 403s and 404s and will be aligned with the proper language that is accepted in the Federal Acquisition Regulations (FAR).

She reviewed the numerous stakeholder briefings held to gather feedback from the nonprofit agency community. The joint Communications staff has been working on a strategy to kick off a campaign to educate participating nonprofit agencies about the Reps and Certs. A letter was sent to the stakeholders which both Mr. Soroka and Mr. Lynch cosigned. The letter follows the Quality Work Environment (QWE) initiative’s communication model.

Ms. Ballard said they are on schedule to begin their test on April 1st. Ms. Ballard said to have a strong sampling, the minimum numbers were doubled and they are representative of the nearly 600 nonprofit agencies in the Program. There will be 20 NIB-associated agencies and 50 SourceAmerica-associated agencies participating. Ms. Ballard said the test will run for 21 days, which is adequate because the testing will rely on data that already exists, from 2014. Once feedback is received, the Commission will go through the OMB Paperwork Reduction Act

clearance process and set up training. The inaugural submission of the Annual Reps and Certs will be in November or early December.

The Definition team's recommendations have been placed on hold pending the regulatory rulemaking process underway to implement the Workforce Innovation and Opportunity Act (WIOA).

V. CNA Reports

Mr. Kevin Lynch, President & CEO, reported on the FY 2014 Business Results for the National Industries for the Blind (NIB). Mr. Lynch said 2014 was a challenging year for NIB and there was a positive turnaround during the second half of the year. The government shutdown made an impact in the first half of the year.

Mr. Lynch presented a list of NIB's lines of business and compared the FY 2013 results with FY 2014 numbers. In FY 2014 net employment was -2.5 percent. New Blind Work Years (BWY) added were 395. Total nonprofit agency placements were up 19.2 percent to 478. The following lines of business have presented quite a challenge: textiles (ramp down of military personnel and deployments), commodities, and niche areas (products that are specific to a government customer).

Mr. Lynch said services increased by 15 percent. There was a recovery commodity business inventory levels in depots depleted. Overall Net employment was down 2.5 percent. On a positive note, Mr. Lynch said almost 400 new BWYs were added and total nonprofit agency placements went up 19.2 percent to 478. One of the specific areas driving the increase is contract closeout.

Mr. Lynch said NIB has continued challenges, but he is pleased with the progress being made with GSA and some of the AbilityOne issues. One positive issue has been the changeover on horizontal pricing. AbilityOne GSA contractors were challenged by a new pricing model – Horizontal Pricing. GSA established a target price contractors must agree to meet and if the contractor did not agree to the target price, GSA removed the AbilityOne products from their contract. Office Depot had \$175,000 of AbilityOne items removed. GSA put this model on hold per the Commission staff's request and NIB is working with them to develop a revised plan.

Mr. Lynch said NIB is very excited about the progress being made with ETS and looks forward to having a formal ETS policy in place. He said ETS is still a continuing concern especially since AbilityOne contracts are small and significant ETS sales. NIB welcomes the remediation process. The last GSA ETS remediation cycle resulted in finding 172 repeat offenders.

Mr. Kelly asked what could be done about repeat offenders. Mr. Lynch said the ETS policy contains a three-strike corrective action process. First, the contractors are informed they have ETS, second, the contractors receive a stern warning and third, the contractors are subject to having their authorization terminated.

Ms. Zeich said the Commission is in the process of finalizing the noncompliance procedures. In response to Mr. Kelly, Ms. Zeich said the process should be completed very soon, hopefully by

the end of March. Mr. Lynch added that there are a number of commercial contractors that are very good partners and they are also concerned with others not following the rules.

Mr. Kesteloot commented that the GSA contracts require contractors to be authorized AbilityOne distributors and in a worse case scenario if violations are made the company could be dropped as a distributor. Ms. Zeich said Mr. Kesteloot's comments were accurate.

The last issue Mr. Lynch brought forth involved the OS3 Strategic sourcing model which includes walk in stores in ten metropolitan locations. GSA awarded contracts to Office Depot to include their commercial retail stores. AbilityOne products are not available in these stores. The Commission informed GSA there are no AbilityOne authorized dealers for commercial walk in stores. Mr. Lynch said they are continuing to raise the issue to try to find resolution.

In regards to Business Diversification, Mr. Lynch said NIB is continuing to strengthen business development. The National Account Managers are becoming more sales oriented, while the Channel Management side works with distributors to promote the sale of existing items. NIB has hired a new Vice President of Business Development.

NIB continues to build their commercial business by doing a pilot with Walmart based on their "Made in America" promotion. Walmart will feature a sponge with a special plastic covering for scouring. Walmart is also interested in testing about a dozen more items.

In regards to their Comprehensive Products Review, Mr. Lynch said they are looking at commodity products and have identified 20 percent of core products as main sellers. They are also looking at "underperforming" products to see why they are not selling. Some of the reasons include pricing, marketing, and promotions.

Mr. Lynch announced that an Open House is scheduled for March 18th at NIB Headquarters in Alexandria. The Open House will feature members of the Business Leaders Program. The 2015 Public Policy Forum is scheduled for April 28-29 at the Crowne Plaza, Old Town Alexandria, VA.

Mr. Lynch introduced a promotional video featuring the capabilities of people who are blind and potential employment opportunities.

Ms. Ballard said as the CNAs move into more commercial business, the Commission will be consulting with members with procurement and cost accounting backgrounds. Mr. Poleo asked Mr. Lynch if someone could educate his CIO at DLA about JAWS and other tools. Mr. Lynch recommended Mr. Doug Goist to give 508 certification training. Mr. Lewis added that the National Federation for the Blind is a good resource.

SourceAmerica

Mr. Steve Soroka, President & CEO of SourceAmerica reported on FY 15 first quarter key performance indicators, comparing goals YTD and results YTD that have been tracked.

In FY 15, SourceAmerica had an uptick in labor hours. They are on pace for a five percent increase in hours and three percent for jobs. He said in today's market, numbers going up are encouraging and reflect a positive status.

One area SourceAmerica is lagging in is Disabled Full-Time Equivalents and plans are in place to make up those numbers as the year progresses. Mr. Soroka also discussed the ERS System. In regards to QWE, Mr. Soroka said they have 75 percent participation and most of the large CRPs are included. Participation in the QWE self-assessments is also ahead.

SourceAmerica continues to make progress regarding PLIMS and is working to upgrade the system and refine processes. Mr. Soroka said he is hoping to modernize the system and have a more interdependent relationship with the Commission.

During his first 60 days, Mr. Soroka has met with most of the SourceAmerica employees and continues to build relationships with the Board and CRPs. He has leveraged some of his former relationships with people like Mr. Assad and Mr. Ginman to get a one percent set-aside for AbilityOne and increase opportunities for people with significant disabilities.

SourceAmerica and the AbilityOne Program lead a unique and complex program with one of the most fulfilling missions that Mr. Soroka has ever come across. He said it is an incredible mission and what strikes him most is the enjoyment and satisfaction of the employees. He has also met with the leadership and staff of the Commission.

SourceAmerica will be experiencing a major reorganization. Mr. Soroka added Mr. Dennis Fields will be the head of the Office of Strategy and Innovation. He will be responsible for the Pathways Program rollout and will also be instrumental with the Institute. SourceAmerica is in search of a Vice President of Sales.

Mr. Soroka said SourceAmerica will also work on commercial business and seek more opportunities to put people to work. He hopes to grow their top business lines and produce the best products and services for the best price. He said SourceAmerica is here to support the U.S. AbilityOne Commission and will do everything he can to build trust and develop a true partnership with Ms. Ballard and Ms. Zeich.

This week Mr. Soroka will participate in Board meetings at the Crystal City Hyatt. They will focus on approving their 2016 – 2018 Strategic Plan.

Mr. Soroka hosted his first AbilityOne High School Design Challenge and looks forward to the college division. Ms. Ballard and her staff attended as their agency's Organization Day event. She encouraged other members to attend in the future. Mr. Soroka also mentioned that SourceAmerica presented Senator Inhofe with an AbilityOne Congressional Champion Award.

Lastly, Mr. Soroka invited everyone to the SourceAmerica National Training Conference in Hollywood, FL on May 4-6. Mr. Poleo said there will be a Commission meeting there.

V. Out of Compliance NPA

Ms. Amy Jensen, Compliance, introduced a NPA who was asked to come before the Commission for reasons other than ratio problems. Athelas Institute, Inc., Columbia, MD, was asked to present before the Commission to support why they should be allowed to remain in the AbilityOne Program. Athelas failed to submit their FY 14 Annual Certification (Form 404) to SourceAmerica and the Commission per the required deadline after repeated requests by the Commission.

Also, they did not submit their corrective action report based on a Commission compliance visit, after repeated requests from the Commission. Athelas has been out of compliance for every Commission and SourceAmerica Compliance visit since they started in the Program in 2010.

Based on the Commission compliance review in August 2014, the Commission staff requested DOL conduct an investigation on Athelas' possible violation of not paying eligible employees the correct SCA wage and health and welfare benefits. This investigation is still ongoing. Because of this and other noncompliance issues, the agency was placed on a one year probation at the time of the visit. Since that time, Athelas has not provided the Commission with any evidence that they are seriously working to resolve the issues brought to their attention.

Mr. Raymond Jordan gave a presentation on Athelas' current status. He said they serve 300 people. He said they were not aware they were not paying the benefits and thought the issue had been resolved. He said DOL is wrapping up their review.

In response to a question from Mr. Tom Robinson, Mr. Jordan said they are paying all of the benefits now.

Mr. Kelly asked about the team and new leadership. Mr. Jordan said that three new key people have been hired.

After using the name SourceOne throughout his presentation, Mr. Anil Lewis, Private Citizen, pointed out if Athelas President did not know the correct name of the organization, U.S. AbilityOne Program.

Ms. McCulloh asked if they had taken advantage of the educational opportunities provided by SourceAmerica. Mr. Jordan said they had training in 2011 or 2012.

Mr. Soroka asked Mr. Jordan how he would describe their corrective action plan. He said the IEEs are being worked on and they are meeting consistently and actively working on a plan to get back into compliance.

Mr. Poleo thanked Mr. Jordan for coming in. He said the members should take the presentation under advisement and a decision memorandum would be issued.

VI. Annual Program Performance Update

Mr. Lou Bartalot, Commission staff, reported on the AbilityOne Program's FY 2014 Performance Results. Employment decreased 2.3 percent to 46,621 people. He stated that this is the third year in a row there has been a decrease for hours and people. The direct labor hours worked by people who are blind or severely disabled decreased 2.2 percent resulting in 45,855,247 total hours worked and 22,428 work years. Wages increased 0.70 percent and resulted in over \$558 million in total wages and an average hourly wage of \$12.44, a 2.9 percent increase from last year. Sales increased 1.7 percent to \$2.88 million.

Mr. Bartalot said more agencies lost hours than gained hours. The percent of agencies losing product hours decreased from the 70+ percentage area. While the number of agencies gaining product hours increased by 17, the number of agencies gaining service hours decreased 15 from last year. Of the 201 agencies with Service hours increases, 10 agencies accounted for 58.5 percent of the increase. Of the 77 agencies with product hour increases, five agencies accounted for 53.5 percent of the increase.

Again as with last year, the cause of the loss of people was in products. In regards to products, NIB had 3,160 people, down 0.54 percent. SourceAmerica had 7,666 people, down almost 25 percent. In regards to services, NIB had 935 people, down 6.9 percent and SourceAmerica had 34,860 people, up 0.64 percent.

Mr. Bartalot said the size of AbilityOne agencies is not even close to being normally distributed. A similar chart of the total number of employees would look much more like a normal bell curve with most of the agencies in the middle range. The number of agencies with more than 1,000 employees dropped from eight to three.

Smallest Agencies for Employment

Mr. Bartalot gave a breakdown by employees and hours of the smallest agencies that comprise 72 percent of agencies in the AbilityOne Program. Mr. Bartalot said 22 SourceAmerica agencies had zero AbilityOne employees and 10 agencies had just one AbilityOne employee. Seven NIB agencies had two to five employees. SourceAmerica had 22 agencies with no hours, while NIB had none.

Placements and Promotions

In terms of placement and promotions, Mr. Bartalot said 1,936 AbilityOne employees were placed, a 12 percent decrease. The total of all placements by agencies was down 2.7 percent. 1,181 people were promoted into nonsupervisory jobs and 359 individuals were promoted into supervisory jobs. The 1,181 people is an all time high with an increase of 165 people.

Direct Labor Hours

In terms of hours, there was a decrease of 2.2 percent – 44.8 million hours were worked in FY 2014. NIB had a total of 5,219,875 hours, down 2.5 percent. SourceAmerica had 39,635,372 hours, down 2.1 percent.

Wages

The wages of people who are blind or severely disabled increased from last year's \$554.1 to \$558 million. This represented an average hourly wage of \$12.44 an hour. For NIB, the average wage for service was \$14.34 and for products it was \$9.48. SourceAmerica's average wage for services was \$13.35, while products was \$7.22. Overall wages and hours both increased.

AbilityOne Sales

Mr. Bartalot said total program sales increased to \$2,881,532,877, an increase of 1.7 percent. Services sales increased 6.2 percent to \$1.979 billion. Products decreased by 6.9 percent to \$901 million. NIB agencies' total AbilityOne sales were \$612.7 million, a 0.34 percent decrease and SourceAmerica agencies' total AbilityOne sales were \$2.26 billion, a 2.3 percent increase. Base Supply Center (BSC) sales decreased 4.8 percent to \$345 million.

He said product sales are down 27 percent from the high in 2011 and BSC sales are down 25 percent from the high in 2010.

Products vs. Services Sales

In 1984 product sales were \$203 million and it took 15 years for them to double, reaching \$419 million in 1999. Sales increased at a much faster pace in the next two years reaching \$529 million in 2001. Sales increased dramatically beginning in 2002 through 2005 when sales reached \$1.12 billion more than doubling 2001 sales. In 2006, there was a slight decrease, but in 2007, a 14 percent decrease to \$960 million. Sales then increased for the next four years reaching \$1.33 billion in 2011. Sales have decreased significantly in both 2012 and 2013 with 2013 sales off 27 percent from the peak in 2011.

Service sales tell a much different story according to Mr. Bartalot. He said service sales have increased every year since 1984. In 1984, service sales were \$46.9 million and by 1996 had exceeded product sales for the first time. While it took 15 years for product sales to double, in the same 15 years' service sales increased 11 fold. Service sales in 2014 were \$1.98 billion more than tripling the 1999 sales in services.

Federal Agency Sales

Mr. Bartalot reported that the Army remained AbilityOne's largest customer agency for the fourth consecutive year. Army sales increased 5.7 percent and they represented 20.58 percent of 2014 program sales. DLA was second with almost 15 percent of sales followed by the Navy, GSA-PBS and the Air Force. Mr. Bartalot reviewed the remaining agencies that were under one

percent of sales. Total sales increased 49 million from last year, but the total of all DoD sales increased to 70.6 million. DoD now represents 63.73 percent of sales.

Distribution channels are comprised of sales from nonprofit agencies directly to the base supply centers or the wholesale distributors. This was the first time that distribution sales exceeded sales to the GSA-FAS.

There were 11 federal agencies that had increases with four of them having Commission members. There were also 17 agencies that had a decrease in sales from 2013 with six of them having Commission members.

Mr. Bartalot gave a breakdown of each agency represented by Commission members. Of significance is the DoD increase of which the Lakeview IT project is a significant portion. Also of significance is the \$44 million increase in distribution channels.

Overall Direct Labor Ratio

Mr. Bartalot said the overall direct labor ratio average for the Program was 83.04 percent, a slight decrease from last year. He said there were 25 agencies with overall ratios below 75 percent, down from last year (17 SourceAmerica/8 NIB agencies). There was one agency from SourceAmerica that had approved surge requirements. There were five SourceAmerica agencies below ratio for two consecutive years, four NIB agencies below ratio for two consecutive years and one SourceAmerica agency below ratio for four consecutive years.

Some of the reasons why agencies were under ratio included agencies that were involved in non-AbilityOne (commercial) work, management and financial issues, personnel and referral issues, surges and phase-ins, and a number of other issues. Mr. Bartalot highlighted the agencies that were under ratio. There are four agencies that are recommended to come before the Commission in May: L.E. Phillips Career Development Center (Eau Claire, WI), The ARC of Hilo (Hilo, HI), Center Industries Corporation (Wichita, KS), and Westmoreland County Blind Association (Greensburg, PA).

The next charts Mr. Bartalot reviewed the nonprofits below 75 percent in terms of agency, location, overall ratio, percentage of AbilityOne work, AbilityOne ratio and the number of AbilityOne workers. He named the agencies expected to come before the Commission. In terms of AbilityOne Direct Labor, the program-wide ratio was 80.5 percent, a slight increase of 0.42 percent. Four agencies were below 60 percent, a decrease of four agencies from FY 2013. He also said there were a total of 31 nonprofit agencies with AbilityOne ratios below 75 percent, down five from FY 2013, and the lowest since 1987.

Mr. Bartalot highlighted those nonprofits that were below the AbilityOne ratio of 60 percent in terms of agency, location, AbilityOne ratio, AbilityOne total hours, AbilityOne workers and overall ratio.

Non-AbilityOne Work

Mr. Bartalot gave a summary of non-AbilityOne work results of the reporting nonprofit agencies for hours, people, promotions, placements, direct placements and sales. He stated that hours, people, and sales were all down. In 2014, AbilityOne hours represented 43,355,258 hours a -5.59 percent change. The major reason for these decreases is the decrease in participating agencies and not loss of commercial business.

Summary

In summary, Mr. Bartalot gave the numbers for the Program in terms of hours, people, promotions, placements, wages and sales. Since 1989 placements have been tracked and there has been a significant jump in the early 90's that corresponds to the increase in participating nonprofits. Once the growth in nonprofit agencies leveled off we have essentially been stagnant in growth.

Mr. Poleo thanked Mr. Bartalot and the Compliance staff for their hard work.

VII. Closing Remarks

Mr. Poleo said a decision paper would be distributed to the members regarding the Athleas presentation. He thanked everyone for attending the public session and adjourned the meeting at 10:33 am. The members were asked to break for 15 minutes before returning for the Executive Session.

List of Attendees – March 11, 2015

Commission Members

P. Edward Anthony	U.S. Department of Education
Harry Hallock	U.S. Department of the Army
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen (via teleconference)
Anil Lewis	Private Citizen
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force (via teleconference)
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce

Commission Staff

Tina Ballard
Lou Bartalot
Patricia Briscoe
Robert Hartt
Amy Jensen
Kermit Jones
Timi Kenealy
Barry Lineback
Nancy Myrick
Angela Phifer
George Selby
Joan Smith
Kimberly Zeich

SourceAmerica

Dennis Fields
Nancyellen Gentile
Elizabeth Goodman
Steve Soroka
Raquel Tamez
Martin Williams

NIB

Steve Brice
Angela Hartley
Kevin Lynch
Matt Wieseler

NAEPB

Dennis Steiner

Government Representatives/Staffers

Serena Lowe	U.S. Department of Labor/ODEP
Curtis Smith	U.S. Department of the Army
William Sproule	U.S. Department of the Air Force

Others

Dan Boucher	Winston-Salem IFB
David Horton	Winston-Salem IFB
Laura Walling	Goodwill

FINAL MINUTES

U.S. ABILITYONE COMMISSION

2015 SourceAmerica Conference

Hollywood, FL

Wednesday, May 6, 2015

2:00 p.m.

I. Opening Remarks

Mr. J. Anthony Poleo, Commission Chairperson, called the meeting to order at 2:00 p.m. and made some brief opening remarks. First, Mr. Poleo thanked Mr. Steve Soroka, President & CEO of SourceAmerica and his staff for inviting the Commission to hold their May Commission meeting at their annual conference. He discussed the agenda and thanked everyone for their attendance. Mr. Poleo asked that limited introductions be made by just those sitting around the table and all other attendees sign an attendance sheet.

II. Consideration of Minutes

Mr. Poleo asked the Commission members to review the minutes that were previously sent. He said they would be approved virtually.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, said the 2014 Annual Report is ready for distribution. She said 500 copies would be distributed to members of Congress and the Commission's Oversight Committee. The theme for this year's Annual Report is "***We Are AbilityOne***" and profiles ten AbilityOne workers and their accomplishments.

Ms. Ballard reported on Definition Suitability and Process Team. A significant product of the Process group is the launching of the Annual Representations and Certifications. A pilot test will be performed with 50 agencies. The Annual Reps and Certs will be published by May 15th.

IV. CNA Reports

NIB

Mr. Kevin Lynch, President & CEO, National Industries for the Blind (NIB), gave an update on the first quarter business results for FY 2015. He said there has been much improvement over Q1 FY 2015 compared to Q1 FY 2014. He said 2014 was affected by the government shutdown, GSA model changes, and sequestration.

Mr. Lynch said AbilityOne direct labor hours are up three percent and the number of employees are down slightly. He said agencies are more comfortable offering consistent hours and employment. New blind work years (BWY) are up significantly. AbilityOne sales are up from \$140.5 million in FY 2014 to \$148.5 million in FY 2015.

Next, Mr. Lynch discussed NIB's Annual Public Policy Forum. There were 140 attendees – 34 nonprofit agencies participated and there were 23 graduates from the Advocates program. During the Forum, 135 individual visits were made to members of Congress. The keynote speakers included Congressman Don Beyer, Virginia (8th District) and Mr. Frank Sesno, Director, George Washington University School of Media and Public Affairs and former CNN Washington Bureau Chief. Mr. Sesno gave a great message to the Advocates.

Mr. Lynch said it is important to mention commissaries because the Administration's proposed FY 2016 budget includes dramatic cuts to the Commissary program. There are proposed cuts of one billion dollars over three years. The annual commissary funding is only \$1.4 billion. Hundreds of products sold in Commissaries are produced by NIB agencies which represents 400 jobs. The reduction and possible elimination of the Commissary program will put hundreds of jobs at risk for people who are blind in the Military Resale Program. This will also have an impact on SourceAmerica.

The NIB Board approved advanced job readiness training program for areas such as contract closeout. NIB found that individuals did not have strong access technology skills so NIB is developing a curriculum on integrated adaptive technology/software. Mr. Lynch also discussed job readiness coaching and the importance of background checks.

NIB is focused on creating a pool of qualified candidates so that direct placements can be made, including helping Federal contractors with Section 503 requirements. Mr. Lynch also mentioned that he would report back to the Commission later regarding a pilot program that will be launched later in 2015.

Mr. Lynch also discussed NIB's Strategic Planning process and commented on a Medical Advisory Committee. He said there has been significant growth with people that have significant vision loss. NIB is taking proactive measures in order to assist individuals who are experiencing loss of vision. There is a growing population among retiring baby boomers and people with degenerative eye conditions. It is NIB's goal to leverage capabilities and resources to assist those with significant vision loss, though not legally blind.

SourceAmerica

Mr. Steve Soroka, President & CEO, SourceAmerica, reported that there has been growth in the number of hours and employees from FY 2014 to FY 2015. He also said there has been an uptick in sales and revenue.

SourceAmerica is working closely with the Commission to strengthen stakeholder relationships. Influencing public policy to increase program opportunities and reaching out to the Executive Branch and disability community stakeholders is another major goal. SourceAmerica is also

optimizing its CNA organizational structure, strengthening rigor around CNA oversight, supporting governance transformation, and finalizing its commercial business strategy. The SourceAmerica Board has approved the FY 2016 – 2018 Strategic Plan and is preparing a first draft of its FY 2016 – FY 2017 Business Plan.

Mr. Soroka said SourceAmerica has partnered with the Commission and NIB to develop and successfully launch the Reps and Certs Pilot Program. SourceAmerica is also working to implement a new CNA internal controls policy which address NPA appeals. SourceAmerica continues to work with the Commission to modernize the AbilityOne website and improve the PLIMS system.

Mr. Soroka continues to strengthen outreach to the NPA community including regional webinars and participation at NCSE regional meetings. The NCSE annual registration process has now been enhanced and includes CRP acknowledgement of Ethics and Code of Conduct.

Mr. Soroka said they have an outside consultant, Grant Thornton, to assist with the composition of the Board. They will help decide what committees should be retired and will report out this summer.

Mr. Soroka requested assistance from the Commission members in a number of areas including advocacy, PL list item enforcement and other acquisition strategies such as GSA building maintenance operations. Mr. Soroka extended appreciation to the Commission staff for their participation at the National Conference including presentations on pricing. He suggested that additional clarity regarding pricing regulations and procurement policy interpretation/guidance would be beneficial as well as further efforts to streamline/align pricing processes to federal acquisition regulations.

V. Out of Compliance NPAs

Mr. Poleo said Ms. Amy Jensen, Deputy Director of Compliance, would lead the discussion on the NPAs who are out of compliance. Mr. Poleo said Ms. Jensen will act as moderator and the NPAs will present their current situations. The Commission members will have a chance to ask questions, but no decisions would be made. He said the staff would make their recommendations and prepare decision document packages.

Ms. Jensen explained that pursuant to Commission Policy 51.403, Nonprofit Agency Out of Compliance, it states that any AbilityOne affiliated nonprofit agency who fails to meet the required 75 percent overall agency direct labor hour ratio for two consecutive years, is given the opportunity to present their circumstances before the Commission. She said there would be three NPAs making presentations.

Ms. Jensen introduced the first agency, Center Industries Corporation (CIC) of Wichita, Kansas. She said they have a FY 2013 ratio of 71.22 percent and in FY 14 their ratio dropped to 67.28 percent. Ms. Jensen introduced Mr. Peter Jonas, Vice President. CIC produces magazine cartridges for U.S. Army TACOM and has 37 AbilityOne employees.

Center Industries Corporation (CIC)

Mr. Peter Jonas, Vice President, Sales & Operations, presented on behalf of CIC. Mr. Jonas said CIC has been a certified CRP for 25 years and they are thankful for the relationship they have with AbilityOne.

CIC is a diverse manufacturing entity which provides dignified employment opportunities for individuals with disabilities as members of a fully integrated workforce. Mr. Jonas said they currently employ over 150 personnel with an 82.96 percent disabled workforce.

Mr. Jonas said they work closely with Wichita State University and a university study found that the tax revenues generated by CIC employees with disabilities saved the state and federal government about \$1.8 million a year and \$8.8 million over a five year period. This is in combination of waiving entitled benefits (SSI, Medicaid and food stamps) and becoming tax paying citizens.

There were 62 employees on public support which came to about \$1.3 million. The tax revenues from CIC payroll was \$456,130 and the savings is \$1.8 million. The study conducted over five years revealed a savings of close to \$9 million.

Mr. Jonas said in 2013, CIC fell out of compliance. CIC has one NSN on the AbilityOne procurement list. It is a 30-Round Magazine, universal to both the M-16 and M4A1 carbine. CIC has been producing this item for the Department of Defense since 1991. After troop withdrawals from Iraq and Afghanistan, orders ceased due to higher than expected government inventory levels. This resulted in CIC having to lay off 71 production workers, the majority of which were individuals with significant physical disabilities.

Mr. Jonas said CIC's commercial aviation work increased significantly when they took on the production of Boeing 737 Window Belt Assemblies. Due to the aggressive transition period, CIC required that more people without significant disabilities be hired to meet their delivery schedule.

In order to bring the ratio into compliance, Mr. Jonas asked for assistance from SourceAmerica and they recommended that they separate into two corporations. In September 2014, they split into Center Industries Corporation and Center Industries Company, Inc. The corporation retained all AbilityOne and government related work and the company performs all commercial work.

Mr. Jonas believes that CIC should stay in the program because they have implemented a permanent solution for maintaining ratio compliance.

Most recently, CIC has been working directly with the Department of the Army to develop and produce the "Enhanced Performance Magazine". From the inception, CIC has been instrumental in providing prototypes for testing purposes at Picatinny Arsenal. After a year of development, CIC just received their first delivery order. In partnership with the Army, CIC plans to produce

over 125,000 units a month by September of 2015, adding 94 new jobs while maintaining ratio compliance.

Mr. Jonas said CIC was among one of the first CRPs to utilize the Quality Work Environment (QWE) process. CIC customizes their process to include training objectives, electronic access to organizational resources, career services, accessibility assessments and a safety risk management plan. CIC volunteered to be a part of the pilot project for 404 reporting and took part in the assessment of how forms were designed.

Mr. Jonas spoke about CIC's supporters and advocates from the Kansas Congressional Delegation. Senator Pat Roberts, Senator Jerry Moran, Congressman Mike Pompeo, and Governor Sam Brownback are great supporters. Other support comes from some of the military leaders such as Lt. Col. Fry and Lt. Col. Sibila from DCMA and Lt. Com. Batchelor and Maj. General Randal Fullhart.

Mr. Jonas said CIC has been a pioneer in Assistive Technology. They have partnered with Wichita State's College of Engineering and gained funding through the Department of Education. Three examples of this technology include the optically positioned edge locator, the window frame drilling machine, and the embossing machine.

In response to a question from Mr. James Kesteloot, Commission Vice Chairman, Mr. Jonas said CIC has two separate companies with two separate boards. They have 110 employees and 50 percent are significantly disabled. In response to an inquiry from Mr. Anil Lewis, Private Citizen member, Mr. Jonas said CIC does not have a 14c certificate.

Mr. Poleo thanked Mr. Jonas for his presentation.

Westmoreland County Blind Association (WCBA)

Ms. Jensen introduced the next presenter, Mr. Timothy Miller, Interim CEO, Westmoreland County Blind Association (WCBA), of Greensburg, Pennsylvania. Ms. Jensen said WCBA had a 73.42 percent ratio in FY 2013 and it fell to 69.53 percent in FY 2014. Their current first quarter ratio for FY 2015 is 66.95 percent.

Mr. Miller said WCBA has been affiliated with NIB for more than 30 years. They are a textile manufacturer and their projects include JS-List Bag, Flyer's Kit Bag, the Navy Neckerchiefs, and the Extreme Cold Weather clothing system for DLA Troop Support. WCBA produces labor intensive items and has 40 AbilityOne employees. In the past 30 years, they had never been out of compliance and then as Mr. Miller describes "ran into some hard times and a bit of bad luck."

Mr. Miller said three long-term employees passed away and they have also had employees suffer with long bouts of cancer, heart issues, strokes and complications from diabetes. He said they have an aging population in their legally blind workforce. The older workers have a difficult time with technology. The average employee is 56.5 years old and 35 percent of employees are over the age of 66. Mr. Miller said they will have to start getting younger employees.

Some of the challenges they are facing include lack of consistency in hours worked due to health issues, family issues, and transportation issues. They are located in a semi-rural area and public transportation is limited. They are about 30 miles outside of Pittsburgh and the average bus trip runs two to three hours each way. That limits the employees to work about five hours each day.

Mr. Miller set in place a daily tracking system to monitor the ratio every week. This allows their staff to realize the impact of blindness/sighted hours immediately. They have increased several part-time blind workers hours by 30 minutes per day and reduced sighted house by 100 hours per week. This was completed by laying off several sighted employees as well as reducing scheduled sighted hours.

WCBA is working with state and local agencies to locate potential workers that are legally blind, and their objective is to increase their workforce by at least 80 hours per week. They are also working with the local colleges and school districts to recruit students with disabilities in order to increase blind hours. They also continue to work closely with state and VR counselors.

In response to questions from Mr. Harry Hallock, U.S. Department of the Army member, Mr. Miller said WCBA provide a quality work environment and the average pay is \$8.00 per hour. He said they offer excellent health care benefits and a 403B matching program.

Mr. Lewis inquired about WCBA's participation in the QWE. Mr. Miller said Kathy Gallagher from NIB came in about two months ago to assist them in the process.

Mr. Miller renamed the items produced by WCBA for the Vice Chairman. He said they produce about 10,000 items each month.

Mr. Poleo thanked Mr. Miller for his presentation.

L.E. Phillips Career Development Center Eau Claire, WI

Ms. Jensen introduced Mr. Gregg Mizerk, President and CEO, L.E. Phillips Career Development Center, Eau Claire, WI. She said this is L.E. Phillips fourth consecutive year under ratio and their third time presenting before the Commission. In FY 2011 their ratio was 60.74 percent and it fell to 53.88 percent in FY 2012. In FY 2013 it went up slightly to 57.55 percent and in FY 2014 increased to 61.73 percent.

L.E. Phillips has one small janitorial contract with GSA-Federal Building and the U.S. Courthouse in Eau Claire. They have two AbilityOne employees.

Mr. Mizerk said L.E. Phillips has been working with individuals with disabilities since 1959 and currently has 156 disabled employees. CDC services include job placement and a Corporate Guardianship Program. Their current annual agency budget is six million dollars.

The current contract for cleaning the federal courthouse provides employment for three individuals with significant disabilities. Under this contract L.E. Phillips provides cleaning,

mowing and snow removal services for the courthouse. The annual contract value for 2014/2015 is \$67,171. This represents a 10.1 percent savings over the previous year. Direct labor wage rate on this contract is \$11.87 per hour.

L.E. Phillips' commercial contracts and customer volume demands required them to implement a second shift. They were unable to attract disabled employees to work on the second shift, so they hired mainly disadvantaged individuals, bringing their ratio well below 75 percent.

Since May 2014, L.E. Phillips eliminated the second shift, resulting in an increased ratio in FY 2014. They also bought two businesses and hired individuals with disabilities to perform more work. Mr. Mizerk said they should be back in compliance by September 2015.

In response to an inquiry from Mr. Lewis, Mr. Mizerk said they do have a certificate. Mr. Lewis inquired further as to whether they had considered surrendering the certificate and paying all the employees the competitive wage, and improving the work environment to make it more attractive for employees with disabilities. Mr. Mizerk stated they could do that.

Mr. Poleo thanked Mr. Mizerk for his time and coming in for the presentation.

VI. Workforce Innovation and Opportunity Act (WIOA) Advisory Committee Update

Ms. Karen McCulloh, Private Citizen member, gave a presentation on the U.S. Department of Labor Advisory Committee on Increasing Competitive Employment for Individuals with Disabilities. The committee is a key part of the Workforce Innovation and Opportunity Act (WIOA).

Ms. McCulloh presented as a member of the Advisory Committee. She noted that only the Chair of the WIOA Advisory Committee can officially present on behalf of the committee.

Ms. McCulloh said she was only permitted to present what is already available in the public forum due to the FACA Act and is not an expert on WIOA.

Ms. McCulloh said President Obama signed the WIOA into law on July 22, 2014 to help job seekers – including those with disabilities – access the services they need to succeed in employment and to match employers with skilled workers. The WIOA Advisory Committee is mandated by section 609 of the Rehabilitation Act of 1973, as amended by section 461 of WIOA.

More than 280 nominations were received for consideration. Only a few individuals could be selected to serve on the committee. According to Ms. McCulloh, the committee consists of both Federal officials and private citizens from specific groups identified in the WIOA legislation. The Secretary of Labor appointed 17 representatives from the following groups:

- Self-advocates for individuals with intellectual, developmental or other significant disabilities.
- Providers of employment services, including those who employ individuals with ID, DD, or have other significant disabilities in competitive integrated employment.

- Representatives of national disability advocacy organizations for adults with ID, DD, or other significant disabilities.
- Experts with a background in academia or research and expertise in employment and wage policy issues for individuals with intellectual, developmental disabilities or other significant disabilities.

There were also seven Federal agencies that are identified by WIOA that were to be represented on the Advisory Committee. Ms. McCulloh mentioned that agencies could request an opportunity to testify publicly. She said Mr. John Kelly, SourceAmerica, presented a public testimony.

The purpose of the WIOA Advisory Committee is to prepare findings, conclusions and recommendations for the Secretary of Labor. This is a two-year process and all work must be completed by September 2016.

Ms. McCulloh cited the definition of Integrated Employment. Integrated employment refers to jobs held by people with disabilities in workplace settings where the majority of persons employed are not persons with disabilities. In these jobs, the individuals with disabilities earn wages consistent with wages paid workers without disabilities in the community performing the same or similar work, earn at least minimum wage and are paid directly by the employer. The committee is required to meet at least eight times to accomplish its work. Within one year of the committee's establishment, the committee must submit an interim report with recommendations to the Secretary of Labor. Within two years, the committee must submit a final report with recommendations to the Secretary of Labor.

The second meeting was held in March at Galludet University in Washington, D.C., and the next meeting is scheduled for May 11-12 and members will meet virtually. The public is invited to attend. Ms. McCulloh stated that the Federal Register public comment period is open until June 16, 2015.

VII. Small Agency Opportunities

Mr. Steve Soroka, President & CEO, SourceAmerica gave a presentation on Small Business opportunities for smaller Non-Profit Agencies (NPAs). This initiative will address the need to focus on small NPA growth and program participation in the program. Mr. Martin Williams, Vice President of Regional Operations and his team are planning to launch a pilot program within the next two months.

Mr. Soroka gave a situational analysis regarding FY 2014 total AbilityOne sales.

- 581 NPAs represented:
 - 64% (373 NPAs) currently have \$1M or less in AbilityOne Sales, per agency
 - 36% (209 NPAs) currently have \$1M or more in AbilityOne Sales, per agency

When looking at NPAs by employees and hours, because the larger NPAs have the highest amount of sales, they also contain the highest number of employees and hours. Smaller NPAs represent the largest percentage of NPAs, with a fewer number of employees and hours.

- Employees
 - Roughly 48% of the producing NPAs have 25 AbilityOne employees OR less
- Hours
 - Roughly 44% of the producing NPAs have 10,000 AbilityOne hours OR less

Mr. Soroka said many of the smaller NPAs do not have the resources and are not as sophisticated when preparing their responses for large dollar value Opportunity Notices. Training Programs placing an emphasis on how to prepare responses to Opportunity Notices will be highlighted during various sessions throughout SourceAmerica's National Conference.

SourceAmerica is currently seeking Commission staff input on the Pilot Project Concept. SourceAmerica believes an emphasis to maximize new opportunities for small and mid-sized NPAs will lead to more competition and jobs for the AbilityOne Program. Other outcomes resulting from the Pilot Project include:

- Creating an environment for small and mid-sized NPAs to be successful in growing employment opportunities for people who are blind or who have significant disabilities
- Better aligning processes and methodologies with AbilityOne Program growth in size and complexity to ensure long-term success
- Strategically aligning competition to create NPA diversification

Based on FY 14 data, SourceAmerica anticipates the Pilot Project has the potential results:

- A projected 42 percent increase in the number of projects recommended to small NPAs
- A projected increase of \$7.7 million in annual project values
- A projected increase of 68 DFTEs employed in smaller NPAs

Mr. Soroka announced Mr. Williams and his team will initiate transparent communication to NPAs, by clearly stating the purpose and objective for the Pilot Program. We anticipate a growth of interest by NPAs in the AbilityOne Program.

Mr. Soroka committed to updating the Pilot Program's progress to Commission members within six months.

Mr. Kesteloot commended Mr. Soroka and SourceAmerica for taking the initiative to assist small agencies. He said he is sure the smaller agencies will appreciate help finding contracts.

Ms. McCulloh said she agrees with Mr. Kesteloot and is glad SourceAmerica is moving forward with this initiative.

VIII. Closing Remarks

In regards to the WIOA report, Dr. P. Edward Anthony, U.S. Department of Education member, made a clarification that the comment period is scheduled to end on June 15, 2015.

Mr. Poleo said Commission awards would be presented at the awards banquet and he thanked Mr. Soroka for the opportunity to do so. Mr. Poleo discussed seating assignments and gave timelines for the VIP and awards receptions.

Before Mr. Poleo officially adjourned the meeting, Ms. McCulloh expressed her sincere and deep appreciation to Mr. Poleo for his work as Chairperson. Mr. Poleo thanked Ms. McCulloh for her kind comments. The meeting ended in a round of applause to commemorate Mr. Poleo's last meeting as Chairperson.

List of Attendees – May 6, 2015

Commission Members

P. Edward Anthony	U.S. Department of Education (via teleconference)
Harry Hallock	U.S. Department of the Army
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Anil Lewis	Private Citizen
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force (via teleconference)
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce

Commission Staff

Tina Ballard
Lou Bartalot
Patricia Briscoe
Amy Jensen
Kermit Jones
Timi Kenealy
Stephanie Lesko
Barry Lineback
Nancy Myrick
Angela Phifer
Kimberly Zeich

SourceAmerica

Rick Beaman, Board
John Cantwell
William Coleman, Board
Allen Cornelius
Brian DeAtley
Dennis Fields
Therese Fimian
Micky Gazaway
Nancyellen Gentile
Carla Goulart
Elizabeth Goodman
Sally Henderson
Sandra Karas

Daniel LaBerge
Simon Lau
Patty Pappas
James Person
Steve Soroka
Raquel Tamez
Larissa Timmerberg
Wes Tyler, Board
Toni Warner
Chris Wilkie
Martin Williams
Becky Wright Brizee

NIB

Steve Brice
Angela Hartley
Lou Jablonski, Board
Kevin Lynch
Dennis Steiner, NAEPB
Matt Wieseler

Government Representatives/Staffers

Susan Pollack	U.S. Department of Defense
Eugene Quinn, Jr.	OIG
Curtis Smith	U.S. Department of the Army
William Sproule	U.S. Department of the Air Force

Others

Jim Barone	Pride Industries, Board
Jerry Bettenhausen	Work Services Corporation
Leah Boyd	Eggleston Services
Norm Bradley	SEKRI, Inc.
Mary Brandstetter	TAC Industries, Inc.
Phillip Cardinal	Work Services Corporation
Carol A. Carr	ACHIEVE Human Services, Inc.
Jim Cassetta	Work, Inc.
Bob Daniels	PARC
Judith DeBevoise	Licking-Knox Goodwill Industries, Inc.
Joe Giannetto	Fedcap
Richard Gilmartin	Lakeview Center
David Gonzales	PORTCO, Inc.
Leonard Goodman	ReadyOne
Kasia Grzelkowski	VersAbility Resources, Inc.

Roger Hallowell	PARC
Ryan Hansen	Melwood
Jeffrey Hills	Eggleston Services
Chris Hoagland	Center Industries Corporation
Joey Jackson	CPRFK
Patrick Jonas	Center Industries Corporation
Peter Jonas	Beacon Group SW, Inc.
Steve King	Nobis Enterprises, Inc.
Connie Kirk	Goodwill Akron
Felix LaGuardia	Licking-Knox Goodwill Industries, Inc.
Ken Lambright	Goodwill Kentucky
Amy Luetrell	ReadyOne Industries
Tony Martinez	Westmoreland County Blind Association
Timothy Miller	L.E. Phillips Career Development Center
Gregg Mizerk	FVO Solutions, Inc.
Bill Murphy	SEKRI, Inc.
Joe Murray	FedCap
Lori Norris	Goodwill Industries International, Inc.
Margaret O'Brien	J.P. Industries, Inc.
Dorothy Parker	J.P. Industries, Inc.
Dorvita Parker	J.P. Industries, Inc.
Julian Parker	J.P. Industries, Inc.
Julius Parker, Jr.	Brevard Achievement Center
Amar Patel	FedCap
Lyell Ritchie	FVO Solutions, Inc.
Pietro Rosetti	Peckham, Inc.
Jo Sinha	Phoenix
Tim Smith	Rappahanock Goodwill Industries, Inc.
Woody Van Valkenburgh	Goodwill
Laura Walling	The Boeing Company
Varick Williams	

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Wednesday, July 8, 2015

9:00 a.m.

I. Opening Remarks

Mr. J. Anthony Poleo, Commission Chairperson, called the meeting to order at 9:04 a.m. and made opening remarks. First, Mr. Poleo thanked everyone for coming and welcomed them back from their 4th of July holiday. Mr. Poleo asked that introductions be made.

II. Consideration of Minutes

Mr. Poleo asked the Commission members to approve the May minutes. Mr. Harry Hallock, U.S. Department of the Army representative, made a motion that the minutes be approved. Mr. William Sisk, General Services Administration representative, seconded the motion and the minutes were unanimously approved.

III. Executive Director's Report

Ms. Tina Ballard, Executive Director, deferred her reporting time to Mr. Rich Gilmartin's presentation on the Lakeview project.

IV. CNA Fee Update

Ms. Kimberly Zeich, Commission staff, presented on behalf of Mr. Sisk, Chairperson of the Business Excellence Subcommittee. Ms. Zeich reviewed the Commission's policy for designating and setting the CNAs' fee ceilings according to Admin Memo 11. The subcommittee established a three-year fee ceiling for 2015 – 2017. The current fee for NIB is 3.9 percent and for Source America the fee is 3.85 percent. The subcommittee conducts an annual review of CNA Business Plans to determine whether an adjustment to the three-year fee ceiling is needed.

The Business Excellence Subcommittee determined that the CNAs should maintain their current fees through FY 2016. Ms. Zeich said the reasons include the uncertainty of the Federal budget and the current climate of procurement list additions which affects the pipeline.

Ms. Zeich said the CNAs are continuing to pursue diversification and non-AbilityOne opportunities. The subcommittee looked at the CNAs' business plans that were submitted and the current conditions do not warrant a change from the current fee ceiling. There was clear linkage to the Commission's Strategic Goals. Ms. Zeich thanked the Chief Financial Officers for

their hard work and submission of their business plans, and provided a short summary of the CNAs' plans.

In its business plan, National Industries for the Blind (NIB) highlighted continued recovery from FY 2013-2014 decline. NIB's priorities for FY 16 are to maximize AbilityOne opportunities, build on outreach success, and aggressively pursue non-AbilityOne opportunities. NIB projects a \$1 million deficit based on \$33.2 million in expenses; \$31.7 million expenses for AbilityOne business. Their reserve levels are projected between 11.2 – 11.8 months.

SourceAmerica's plan also highlighted recovery from FY 13-14 decline. SourceAmerica is still working on FY 16 employment and sales projections; the analysis continues in light of bleak customer forecasts. SourceAmerica's priorities for FY 16 include job growth through current business mix, entering new businesses and adding new customers, including pursuit of non-AbilityOne business. SourceAmerica projected a balanced budget in FY 16 with \$93 million in expenses and \$78 million in expenses for AbilityOne business. Their reserve levels remain stable at five months.

As the Federal budget uncertainty continues, the CNAs will both pursue diversification into non-AbilityOne work. Procurement List additions were down for FY 13-14. While overall sales have turned the corner, they remain below FY 12 levels. Ms. Zeich said this is the second year of a three-year ceiling and reiterated that the current conditions do not warrant changing the ceiling for FY 16. The subcommittee's recommendation is to maintain current fee levels FY 2016 - 3.90 percent for NIB and 3.85 percent for SourceAmerica.

V. CNA Reports

NIB

Mr. Kevin Lynch, President & CEO, NIB, gave an update on NIB's recent activities. Mr. Lynch is very pleased with the recovery demonstrated in the first part of the fiscal year. He said employee hours are up five percent and sales are up 10 percent.

He said FY 2015 has seen recovery for the first half of the year and returned to "normal" employment and sales levels. He said they have not reached FY 11 and 12 peak levels. There is still uncertainty in regards to the Federal budget and the prediction of a continuing resolution for FY 2016. NIB has taken all those factors in account for the business and budget plans.

Mr. Lynch gave an update on the construction of the new building. He said they are on schedule, expecting groundbreaking to take place in the summer of 2016, and occupancy in early 2018. Mr. Lynch thanked Ms. McCulloh for arranging their visit to the Independent Living Center in Chicago. NIB is interested in incorporating their Universal design concepts and spoke to design consultants. The building will be directly across from the new Potomac Yards metro station (now in development).

Mr. Lynch noted that the Administration's FY 2016 budget has proposed one billion dollars in cuts to the commissaries program over three years. Senate/House appropriators restored the

\$322 million in cuts for commissaries, in particular, for FY 2016. This is important to NIB because of their Military Resale line of business..

There has been a Senate-proposed privatization pilot involving five commissaries. This has been reversed, with an amendment calling for a study first. RADM Jon Yuen, Department of the Navy, said it is currently under review and they are looking closely at the goals. Military Resale opportunities for 16 NIB NPAs through the commissary system appear to be safe for one more year.

Mr. Lynch announced that NIB and the Commission initiated a FAR case in May 2014 to revise clause 52.208-9, "Contractor use of Mandatory Sources of Supplies and Services," to clarify its use in Service contracts. The cause was "fast-tracked" to the Defense Acquisition Regulation Council (DARC). The next step is for the DARC to meet with the Civilian Agency Acquisition Council (CAAC) scheduled for mid-July, followed by a 30-60 day Federal Register public comment period. He thanked Ms. Zeich and Ms. Scottie Knott for their work with the business case.

Mr. Lynch has been in discussions with Ms. Ballard and Ms. Zeich regarding the next FAR case that will address "Essentially the Same (ETS)". The ETS policy will be initiated soon and will follow the same process.

NIB is celebrating the 20th Anniversary of the AbilityOne Base Supply Center (BSC) Program. The program started in Fort Bragg and has been very successful. NIB is providing integrated marketing and communications support to NPAs. There is an associated agency toolkit to assist with NPA media outreach, in-store marketing materials (logo, posters banners), an article in the Opportunity magazine, and media coverage in military-focused outlets.

The fourth annual NIB/NAEPB Grassroots Forum will take place the first two weeks of August. This is an opportunity for NPAs to invite elected officials (Federal, state and local) to visit their location and observe programs providing employment and rehabilitation services.

NIB is getting prepared for National Disability Employment Awareness Month (NDEAM). NIB is developing a customized marketing and communications plan to raise awareness about the capabilities of people who are blind and remind customers about the benefits of the AbilityOne Program.

Mr. Lynch asked everyone to "save the date" and register for the 2015 NIB/NAEPB National Conference. The conference is scheduled for October 13-15, 2015 at the Hyatt Regency, Crystal City. Program highlights include an all-day expo, the Commission meeting, and recognizing 79 NIB NPA employees of the year. Speakers will include government, military and commercial partners. The highlight of the conference will be the annual awards banquet.

Mr. Lynch expressed his appreciation to Mr. Poleo and thanked him for his support during his tenure as Chairperson.

Mr. Kelly inquired about the legislation involving privatization of commissaries and wanted to know if NIB will be able to participate in the program. Mr. Lynch said he could not answer because there are more studies being done before a pilot is developed.

In response to a question from Mr. Kesteloot, Mr. Lynch said the Military Resale sales are \$22 million a year. He said the commissaries are a small but critical part of the AbilityOne's employment opportunities. Mr. Poleo said he does not think the privatization is happening in the near future. RADM Yuen said the discussions are ongoing. Mr. Robinson said his experience with studies indicate that this will not come to fruition.

SourceAmerica

Mr. Steve Soroka, President & CEO, SourceAmerica, reported on recent activities to grow employment for people with disabilities. He thanked the Commission for maintaining the current fee structure and thanked several Commission members for their advocacy.

Mr. Soroka reported on the Federal Acquisition Institute (FAI) webinar entitled, "AbilityOne: Another Tool in Your Procurement Toolbox." The webinar was a significant collaboration with NIB, the Commission, USDA and the nonprofit agency community. The objective of the webinar was to increase program awareness and understanding with the acquisition community and was attended by 1,400 federal acquisition officers.

To grow employment opportunities for veterans, SourceAmerica engaged the NPA community through newly formed working groups, developed and launched a veterans intern program, and continues to pursue "defined eligibility for veterans" with the Commission.

Mr. Soroka said SourceAmerica hosted a webinar for 120 NPAs on the Workforce Innovation and Opportunity Act. The NPA community submitted comments in conjunction with the National Council of SourceAmerica Employers based on participant and stakeholder feedback. SourceAmerica has also provided testimony across several meetings of the omments in conjunction with NCSE based on participant and stakeholder feedback. They also provided testimony across several meetings of the Advisory Committee on Competitive Integrated Employment.

Mr. Soroka reported on this year's Grassroots Advocacy event which was the largest to date. There was comprehensive training on policy issues and AbilityOne, with NPAs, self-advocates, and family members. The 2015 College Design Challenge was held in conjunction with the Grassroots event and there was major media coverage. The top three teams presented solutions to increase employee productivity and California State was selected as the winner.

Mr. Soroka shared highlights from the May 2015 National Training and Achievement Conference. He said the conference promoted AbilityOne excellence through training, recognized high-performing NPAs and AbilityOne employees, and held plenary sessions to foster corporate partnerships. He thanked everyone for attending.

Mr. Soroka said SourceAmerica is working in collaboration with NIB on a Work Environment Assessment. The RFP was announced and he plans to provide a status report with recommendations on how to proceed in August.

Mr. Soroka updated the Commission on SourceAmerica's transformation, including changes at the leadership level. A Vice President of Sales will join the team July 20. Mr. Joe Diaz has been promoted and will assume the position vacated by Martin Williams, overseeing the six regional offices. Mr. Williams has been reassigned as Vice President of Operations; Dennis Fields' new position is Senior Vice President, Strategy and Innovation. Ms. Nancyellen Gentile is now the Vice President of Marketing and Communications and Mr. John Kelly is the Vice President of Government Affairs and Public Policy.

Mr. Soroka reviewed corporate results for the second quarter of FY 2015. Significantly disabled direct labor hours (QER) reached 20.5 million and the goal was 19.2 million. There was a four percent growth in hours, wages grew by five percent and sales revenue grew by seven percent.

Mr. Soroka thanked Mr. Poleo for his support during his tenure as Chairperson.

VI. Defense Manpower Data Center Enterprise Information Technology Services (Pilot Project)

Ms. Tina Ballard, Executive Director, introduced Mr. Richard Gilmartin to give a presentation on the Defense Manpower Data Center Enterprise Information Technology Services pilot test. She said the pilot test project captures and transforms a large IT project that AbilityOne wouldn't normally be able to achieve. Ms. Ballard gave some background information on the project and said members would be given decision documents to approve adding two more years to the pilot.

Mr. Gilmartin said that Lakeview is the prime contractor and the purpose of the pilot is to answer the question, "Will the field of Information Technology offer substantial employment opportunities for people with significant disabilities"?

Mr. Lou Bartalot, Commission staff, said at the start of the project there was a higher percentage of subcontractors and the DLH ratio was high as well. It was assumed that the majority of the work would be done initially by subcontractor employees and then as knowledge transfer took place, much of the work would move over to Lakeview's employees. The Lakeview work was expected to begin with and maintain a high direct labor hour ratio during the subcontracting transition. However, one of the findings or learnings of this pilot test has been the challenges working with a subcontractor in this manner.

Mr. Rich Gilmartin introduced Mr. Micky Gazaway, Executive Director, SourceAmerica South Regional Office, Mr. Ted Prindle, Project Manager and technology expert at SourceAmerica, Mr. Dan Woods, Senior Operations IT, and Mr. Mark Kessler, each of who have worked in one capacity or another to support the pilot project.

The pilot's work performed by AbilityOne employees, involves database systems that are crucial to active military, veterans and their dependents. Our National Security is dependent on some of the systems such as Tri-Care, Mr. Gilmartin said.

Mr. Gilmartin reviewed the original assumptions about the project that were made during the planning stages. The contract consisted of a large but stable workload, and there was expected to be a smooth transition from the incumbents – long term (20 years)

The plan was to have a smooth transition from the incumbent contractor's performance to Lakeview Center, facilitated by a subcontract agreement. The former incumbent, current contractor is a global business that, after performing this work for 20 years, has not embraced giving up their work share or revenue. Mr. Gilmartin said Lakeview Center was making headway, but the transition is occurring at a slower pace than was planned. There are two work metrics reported on every month to the Commission staff.

The first metric established is the percentage of FTEs held by Lakeview Center employees vs. are subcontracted out to other entities. Because of the large number of jobs involved with this project (several hundred), and the security and training needs to bring employees in, the goal for this metric was to reach 45 percent of FTEs employed directly by Lakeview. They have achieved 40 percent of FTEs employed by Lakeview as of the presentation date; close but not at the target.

Mr. Gilmartin said the other metric is the contract dollar value as a percentage with Lakeview Center versus subcontractors. He said the target is 51 percent of contract value to be with Lakeview Center, and they are currently at 34 percent, so there is a greater separation between the actual percentage versus the goal. He said an additional 12 percent was subcontracted out to small business, which would bring the total value not held by large business to 46 percent. At the time Lakeview Center became the prime, roughly one percent of the work was performed by small business.

There are currently 25 Wounded Warriors working on the project, and they make up 22 percent of the workforce. In November, Mr. Gilmartin introduced Mr. Sebastian Ploszaj, a Purple Heart recipient and former Marine, to the Commission members and Mr. Poleo presented him with a coin. Last week Mr. Ploszaj met with members of Congress at SourceAmerica's Grassroots events and did a fabulous job, Mr. Gilmartin said.

There was not an explicit goal set for upward mobility and outplacement in the pilot, but twelve people have been promoted so far under the contract. Three people employed by Lakeview on this project have moved into competitive employment – two went to private sector jobs and one became a Federal employee, Mr. Gilmartin said.

Mr. Gilmartin then provided an update on the direct labor hour ratio for this specific project. [Note: there is no statutory direct labor hour ratio at the contract level: the law requires a 75 percent aggregate direct labor hour ratio at the total agency during the fiscal year.] On this project, Lakeview Center now projects a 52 percent direct labor hour ratio goal through the end of October 2016. Mr. Gilmartin said he believes that a 60 percent direct labor hour ratio on this

project may be achievable. The pace to increase the ratio has been very slow, he said, due to the complexity of the workload, and the challenges associated with preparing and training employees to be ready to step in and perform when the timing and scope of orders has been unpredictable.

In terms of workforce, Mr. Gilmartin gave a breakdown of the different types of disabilities including traumatic brain injuries, muscular skeletal disorders, deafness, blindness, mental illness and other neurological disorders.

The pilot began on May 1, 2013, he said. In Stage One, workforce needs were identified and included 146 different job titles. Also, job requisitions and descriptions were created. In Stage Two, recruitment and onboarding took place. Vetting was not what they expected, Mr. Gilmartin said, because in some cases top secret clearances were needed and the average vetting timeline was 67 days. During the OPM Breach, equipment was shut down for four to eight weeks or longer. The employees are not allowed to work unless they are properly vetted.

In Stage Three, workforce training took place which included IT training, classroom and virtual training as well as mentoring. Ms. Karen McCulloh, Private Citizen member, asked Mr. Gilmartin what was being done about training for people with significant disabilities. Mr. Gilmartin said they exercised a job shadowing program and based on Ms. McCulloh's question, they incorporated a robust information technology training program. This allowed 23 AbilityOne-qualified people with significant disabilities to attend an eight-month program and receive industry standard certification in IT.

In Stage Four, the experienced workforce became acclimated in a complex environment. They achieved greater efficiency for their customers, at a savings of \$11 million. Career paths were established to move people up and out into the community.

In summary, Mr. Gilmartin said the pilot was established for a three-year period with a two-year transition plan. After the first two years, they have identified the need to and request the Commission's support to adjust the parameters of the pilot. Rather than focusing on a transition of work from the subcontractor to Lakeview Center, they have brought the work in-house and request the Commission's approval for a revision to the project-level ratio expectations. The project-level direct labor hour ratio target for the next year is 52 percent, and the ultimate target is to reach 60 percent. The work is complex and it is a unique environment with mission critical functions, so it may be difficult to find the workers to fill the slots to increase the direct labor hour ratio beyond 60 percent.

Mr. Gilmartin submits a monthly status report to the Commission. He said there has been a lot of lessons learned and the pilot hasn't been exactly what they thought. The pilot required extraordinary agility to accommodate the customer. They have experienced the government shutdown, elevated national security and data breaches. The project requires people with high technical expertise and credentials but people with significant disabilities are being employed and achieving success.

The mission of Lakeview is to deliver exceptional customer experiences while helping people overcome life's challenges. According to Mr. Gilmartin, this is one of the most exciting projects Lakeview has ever been involved in.

In response to questions from Mr. Poleo, Mr. Gilmartin said 12 people were promoted, 3 people outplaced and 100 employees are on the payroll. Mr. Poleo said the work is similar to the contract closeout project. He said 14 days is the average start time for a RFP award.

Ms. McCulloh thanked Mr. Gilmartin for his report and said she is excited about the project. She asked if the same expectation for training applies to people with no disabilities and those with significant disabilities. He said people enter training at various points. Some already have the proficiency needed and others may require more training. He said they focus on AbilityOne-qualified people with significant disabilities.

Ms. McCulloh said there is a need for customized training for people with significant disabilities that could require more than six months. She said the training issue is huge but this project is a great opportunity for people with significant disabilities. Mr. Gilmartin agreed with Ms. McCulloh's assessment regarding training.

Mr. Robinson said a lot of assumptions were made and he suggests that Lakeview go back to the drawing board. He asked if Lakeview keeps track of the attrition rate and Mr. Gilmartin said the rate is incredibly low. He asked the Commission members to have patience because the project could be very successful with realistic percentages. Mr. Gilmartin said they will reach the 52 percent direct labor hour ratio.

Mr. Kelly asked for some examples of the titles of the workers. Mr. Gilmartin said they have Quality Assurance workers, Data Analyst, Business Analysts, Project Managers and Database Administrators just to name a few.

Mr. Kesteloot inquired about the additional cost of shifting from shadowing to training. Mr. Gilmartin said they are taking \$1.8 million out of the operations budget across the corporation. During shadowing, two people are paid to do one job.

Ms. Ballard recommended that the Commission members extend the pilot for an additional two years to a new contract cycle. She thanked Mr. Gilmartin and his team, Martin Williams and his team and Commission staff.

VII. Out of Compliance NPAs

Ms. Amy Jensen, Deputy Director of Compliance introduced two NPAs who are out of compliance. Pursuant to Commission Policy 51.403, Nonprofit Agency Out of Compliance, it states that any AbilityOne affiliated nonprofit agency who fails to meet the required 75 percent overall agency direct labor hour ratio for two consecutive years, is given the opportunity to present their circumstances before the Commission.

ARC of Hilo – Hilo, Hawaii

According to Ms. Jensen the ARC of Hilo, located in Hilo, Hawaii has failed to meet the 75 percent overall agency direct labor ratio for two consecutive years. In 2013, they were at 49 percent and in 2014 they were at a 56 percent overall ratio.

Ms. Deborah Perkins, CEO, ARC of Hilo, made a phone presentation to the Commission. She said the Arc of Hilo, Inc. has been a trusted AbilityOne producing agency for 20 years. She said the Board of Trustees and the staff are committed to maintaining compliance with all aspects of the AbilityOne Program including the mandated ratio.

Ms. Perkins outlined the contributing factors for having a low ratio during FY 2013 and FY 2014. During this two year period two Officers who were responsible for ratio compliance left the organization prior to resolving the ratio issue. The CEO retired and the COO resigned. The background for being out of ratio and plans to correct the ratio problem were never disclosed to Ms. Perkins and that made it difficult for her to respond.

Ms. Perkins said they lost a large contract where most of the workers were non-disabled and were not accurately tracked. Also supervisory hours were not properly recorded on state and county contracts. Supervisory hours were being recorded as non-disabled direct labor hours instead of supervisory hours. She said the staff involved were not informed or properly trained.

SourceAmerica came to Hawaii on March 30, 2015 to conduct a regulatory visit and they also received ongoing assistance from the Pacific West Region. Ms. Perkins said they have restructured their labor force to maximize direct labor performed by people with significant disabilities.

Some of the corrective measures include training on tracking direct labor hours, training on IEE forms, and establishing policies and procedures to ensure proper tracking.

Ms. Perkins said in FY 2015 the cumulative ratio was 67.18 percent for the first quarter. In the second quarter the ratio was 70.13 percent. Based on their progress, Ms. Perkins expects the Arc to be at or above the minimum 75 percent direct labor ratio by the fourth quarter of FY 2015.

To sustain compliance, the ARC continues to monitor their ratios every pay period, scheduling is closely monitored by the department supervisor and adjustments are made to maximize disabled direct labor hours, and they continue to improve communication, education and training between staff and management by conducting quarterly meetings.

Ms. Perkins said the ARC is utilizing the Department of Vocational Rehabilitation as their first resource to fill vacancies and they are also developing a relationship with the Veterans Administration as another source for filling vacancies.

Ms. Perkins said the ARC of Hilo is committed to delivering quality services and requests continued participation in the AbilityOne Program.

Mr. Poleo thanked Ms. Perkins and said he appreciated her transparency. He said the Commission members would have a chance to respond when they receive their decision documents.

Chesapeake Services Systems (CSS)

Ms. Jensen introduced the President and CEO of Chesapeake Service Systems (CSS), Mr. Tom Swanston, and said he was invited to speak to the Commission in order to report on CSS' corrective actions. The Commission's regulations for nonprofit agencies to maintain qualification require them to pay employees in accordance with Department of Labor requirements.

Mr. Swanston said that CSS is 30 years old, and was late on payroll once, January 23, 2015. Mr. Swanston explained the circumstances of CSS' delinquent payment of wages to their employees. He said that CSS is a subcontractor on three of their AbilityOne contracts where another AbilityOne nonprofit agency is the prime contractor. Mr. Swanston said CSS was paid a week later than usual by the prime, which resulted in a shortage of cash flow. He said at the time he was on medical leave, and other staff members were filling in when this change happened.

Mr. Swanston said he thought the prime contractor should have worked more closely with CSS to alert them to the change in payment schedule. He said CSS was put in a position that required them to have substantially more cash flow on hand than they normally need. He also said there was no subcontract agreement between CSS and the prime contractor.

To avoid a repeat or future delay in payroll to their employees, Mrs. Delinda Swanston, Chief Operating Officer of CSS, said their payroll date was changed to the 1st and 15th of the month, rather than paying every two weeks, and they are also pursuing a line of credit to cover payroll if there is a future delay.

Mr. Poleo inquired about the absence of a secure line of credit and then asked why there was no contractual relationship between CSS and the prime contractor, Eggleston. Mr. Jan Frye, Department of Veterans Affairs, said he was astounded by this information. Mr. Frye stated that if you don't have a written contract, then you have no contract [i.e., no enforceable agreement]. Mr. Swanston said they had not agreed on a subcontract that each was willing to sign.

In response to Mr. Frye's question, Mr. Swanston said the Navy administers the contract. RADM Yuen said he is concerned about this situation, as it involves Navy contracting and a service required by the Navy. Mrs. Swanston said she asked the prime contractor for a copy of their contract and they told her they could not give it to her.

Mr. Robinson advised that CSS go to the contract officer for a remedy. Mr. Swanston said he contacted SourceAmerica for help.

Mr. Soroka said he found it hard to believe that the nonprofit agency prime contractor did not give him a contract and he asked him if he worked with anyone at SourceAmerica to get the issue resolved. Mr. Swanston said he worked with Mike Cormier, the Project Manager but he

referred him to the nonprofit agency prime contractor's staff. Mr. Soroka said he would look into the situation further.

Mr. Poleo tasked Ms. Zeich to work with SourceAmerica to coordinate with the two parties involved.

There was some further discussion about the galleys and the quality of the work. Mr. Swanston also commented on his concerns with dispute resolution when his prime contractor is a nonprofit agency that has a leader participating on the SourceAmerica Board of Directors. Mr. Soroka assured everyone that there was no conflict of interest and the Board is not involved in the selection process. Mr. Robinson motioned that the discussion be taken offline and was seconded by Mr. Frye.

VIII. Annual Report

Mr. George Selby, Director of Communications, presented and highlighted the 2015 Annual Report. He detailed the featured AbilityOne employees and all the sections of the report including the mosaic cover.

Mr. Selby thanked Mr. Lynch and the NIB for all their assistance with the Annual Report.

Mr. Poleo thanked Mr. Selby for producing another professional product.

IX. Election of Officers

First, Mr. Poleo said it has been his honor and privilege to serve as Chairperson and he could not have done it without the support of his Vice Chairperson, Mr. Kesteloot or the support of the other members. He said he has learned a lot and will continue to serve as the DLA representative until the end of his tenure.

Ms. Timi Kenealy, General Counsel gave a broad overview of the election process and the terms of the officers during the May 2015 meeting. She reviewed the process again and explained how the election would be conducted.

Mr. Poleo thanked Mr. Kelly for serving as the Chairperson of the Nominating Subcommittee and asked him to go forward with the election process.

First, Mr. Kelly thanked his Nominating Subcommittee members Ms. Virna Winters, U.S. Department of Commerce representative and Mr. Harry Hallock, U.S. Department of the Army representative. Mr. Kelly asked Ms. Angela Phifer, Commission Executive Assistant to record the votes. Mr. Kelly announced the slate of nominees and asked each member to individually cast his or her vote.

For Chairperson, Mr. Kelly named Mr. Kesteloot and Mr. Robinson as the two nominees and asked if there were any additional nominees from the floor. Each member voted and Mr. Kesteloot was elected unanimously by his peers as the new Chairperson.

For Vice Chairperson, Mr. Kelly named Ms. Wilusz and Mr. Robinson as the two nominees and asked if there were any additional nominees from the floor. Each member voted and Ms. Wilusz was elected unanimously by her peers as the new Vice Chairperson.

Mr. Poleo made some remarks and said the transition should be seamless and the Commission would be in great hands with the selection of the new officers. Mr. Kesteloot thanked everyone for their votes and their confidence in him. He thanked Mr. Poleo for including him on his team for the past four years. He said he would use that same model and include Ms. Wilusz as his Vice Chairperson. He said it is a great honor for him to serve as Chairperson. Ms. Wilusz also made comments and said she is pleased to serve also.

All the Commission members congratulated the newly elected leadership and thanked Mr. Poleo for his tenure as Chairperson.

Mr. Poleo moved to adjourn the meeting at 11:43 am.

List of Attendees – July 8, 2015

Commission Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs
Harry Hallock	U.S. Department of the Army
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Anil Lewis	Private Citizen (via teleconference)
Karen McCulloh	Private Citizen (via teleconference)
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce
Jonathan Yuen	U.S. Department of the Navy

Commission Staff

Tina Ballard
Lou Bartalot
Amy Jensen
Kermit Jones
Timi Kenealy
Stephanie Lesko
Barry Lineback
Dennis Lockard
Nancy Myrick
Angela Phifer
George Selby
Muzaffar
Edward Yang
Kimberly Zeich

SourceAmerica

Dennis Fields
Micky Gazaway
Nancyellen Gentile
Elizabeth Goodman
John Kelly
Ted Prindle
Steve Soroka
Raquel Tamez
Martin Williams

NIB

Steve Brice
Angela Hartley
Kevin Lynch
Matt Wieseler

Government Representatives/Staffers

Timothy Huling	SAF/AQC
Serena Lowe	U.S. Department of Labor/ODEP
Erik Sippel	Navy
Chantel Smith	SAF/AQC

Others

Rich Gilmartin	Lakeview
Mark Kessler	Lakeview
Barbara Kesteloot	Private Citizen
Dan Woods	Lakeview

FINAL MINUTES

U.S. ABILITYONE COMMISSION

Arlington, VA

Monday, September 28, 2015

3:00 – 5:00 p.m.

I. Opening Remarks

Mr. James Kesteloot, U.S. AbilityOne Commission Chairperson, called the Commission Meeting to order at 3:14 p.m. and made some brief introductory remarks. He noted the Pope's visit to the United States and particularly the Washington, D.C., area. He was touched by the gesture the Pope made towards a ten-year-old child with cerebral palsy. Linking the Pope's message of compassion and helping others, Mr. Kesteloot made a correlation to how our mission is to also serve people most in need.

Mr. Kesteloot thanked the Commission members who found time out of their busy schedules to attend the meeting so close to the end of the fiscal year. He said a potential shutdown was averted and thanked everyone for their attendance.

Mr. Kesteloot asked Mr. Lou Bartalot, Commission Staff, to come forward and announced that Mr. Bartalot was retiring and this was his last meeting. Mr. Kesteloot presented Mr. Bartalot with an AbilityOne coin and thanked him for his dedication and service to the AbilityOne Program as the Director of Compliance and Program Evaluation.

II. Consideration of Minutes

Mr. Kesteloot asked Ms. Angela Phifer, Executive Assistant, if there were any changes to the July 8, 2015 minutes. Ms. Phifer said she received a few changes from SourceAmerica. Ms. Karen McCulloh, Private Citizen member, motioned that the minutes be accepted with proposed changes to the SourceAmerica report. Her motion received a second from Ms. Lisa Wilusz, Vice Chairperson. Ms. McCulloh commented that the minutes were exceptional and very detailed.

III. Executive Director's Report

Ms. Tina Ballard, announced that Mr. Bartalot would be retiring. She thanked Mr. Bartalot for being an instrumental part of the Commission staff and a great source of data.

Ms. Ballard said the FY 2017 budget has been submitted. She has scheduled a meeting with the Office of Management and Budget (OMB) to articulate reasons for the budget. She also said she would be making calls this week to the Hill in support of the FY 2016 and 2017 budgets.

IV. CNA Reports

National Industries for the Blind

Mr. Kevin Lynch, President and CEO, National Industries for the Blind (NIB), gave a brief report on NIB's recent activities. First, Mr. Lynch gave a learning and development update on a new part of NIB's training model called ProMote "Professional Mastery of Office Technology for Employment." This initiative came out of the contract management closeout functions and is a way to strengthen transferrable, career-building professional skills for individuals who are blind.

The pilot class is scheduled for January 2016 and participant recruitment is currently in progress. The initiative will transition to NIB agencies via "train the trainer." NIB will assist with the security clearance process to ensure success from the start. The four-week residency program will take place at the Carroll Center in Boston, MA.

Next, Mr. Lynch said they launched an information technology training program so individuals who are blind can earn a CompTIA A+ technology certification. CompTIA is a global nonprofit information technology (IT) trade association. Mr. Lynch said there are currently 19 participants and they are using Pearson Vue as the testing vendor. Those who complete the training will be qualified and certified to work with the Federal Government in the area of IT.

The latest NIB Business Management Training (BMT) class concluded on September 18, with 19 graduates. NIB partnered with George Mason University's School of Business and four graduates have been promoted, including one direct labor employee.

Mr. Lynch reported that NIB just finished a series of focus groups to collect feedback from nonprofit agencies (NPAs). All NIB NPA CEOs were invited to participate. Separate focus groups conducted with nonprofit agency staff, and an outside vendor was used to facilitate the focus group and encouraged open dialogue. The goal of the focus groups is to assess NIB's service and assistance to its NPAs.

NIB incorporated findings from 2009 and 2012 focus groups to better align with agency priorities. Some of the goals assessed include: offering expanded training for NPA employees who are blind, adding contract management staff positions and reorganizing NIB's business development department.

Mr. Lynch reported on NIB's business results to date. Third quarter results for FY 2015 were better than FY 2014, up 13 percent. Year-to-date FY 2015 sales were driven by the Defense Logistics Agency (DLA), at 35 percent, and inventory stocking from wholesalers and distributors. He gave a breakdown of the various partners such as S.P. Richards and LC Industries.

Lastly, Mr. Lynch discussed the NIB/NAEPB (National Association for the Employment of People Who Are Blind) National Conference and Expo, which will be held October 13-15, 2015 at the Hyatt Regency Crystal City in Arlington, VA. He said there are currently 700 registered attendees and 76 agency Employees of the Year will be recognized. There are also over 92 exhibitors expected along with keynote speakers Lt. General Andrew Busch, DLA Director, and Mr. Shay Assad, Director of Defense Pricing.

Ms. McCulloh asked if participants are charged for tuition or fees to get their certification. Mr. Lynch responded that no tuition is charged to the individuals or the agencies because the NIB Board sees it as a financial investment in their future.

SourceAmerica

Mr. Steve Soroka, President and CEO, SourceAmerica, said SourceAmerica's metrics year to date are favorable. The FY 2015 year end goal is 38.4 million significantly disabled direct labor hours and at the end of the third quarter SourceAmerica is at 30.9 million, so hopefully it will meet or exceed the year end goal. Jobs for FY 2015 are currently at 41,263; for third quarter SourceAmerica is at 41,154.

Mr. Soroka reported that 3.6 percent of CRPs are below ratio and they have exceeded the year-end goal of 75 percent in regards to the Employee Reporting System (ERS). In regards to upward mobility, placements and promotions, the current third quarter results are 2,400 but the year-end goal is 3,270. An additional 615 jobs were created through CyclePoint, Commercial, Ideas to Work, and other non-AbilityOne partnerships.

SourceAmerica has completed a year-long initiative to develop a 100 percent mandatory ethics program. Mr. Soroka said the final phase of SourceAmerica's organizational realignment is in process. SourceAmerica will focus on succession planning, field/customer orientation (more customer focused) and trying to get more efficiencies and economy of scale. SourceAmerica has added to its Senior Talent with a new CIO, Mr. John Wyatt and the recent hire of Ms. Clara Conti, Vice President of Sales.

SourceAmerica received a press release calling for the reform of the AbilityOne Program. There have been discussions with the Commission and NIB and a meeting has been scheduled with National Federal of the Blind and TASH [the name "TASH" is like "NISH" – the letters do not represent words of the organization's name]. Media interest has been quiet.

Mr. Kelly asked about TASH and Mr. Soroka explained it is an advocacy group for people with severe disabilities.

SourceAmerica has also been increasing their presence in digital advertising by using the GovExec website and other forms of media. SourceAmerica has had recent rush hour advertising spots on WTOP radio.

SourceAmerica has also launched its next round of the 2016 Design Challenge Nominations featuring both high school and college students. The call for National Award Nominations will take place to be presented at the 2016 National Training Conference. Mr. John Kelly provided comments to the Workforce Innovation and Opportunity Act (WIOA) Committee.

Mr. Lewis commended Mr. Soroka's request for a meeting with TASH and NFB but he said an earlier request was unheard. Mr. Soroka said that request came in around the second week of his tenure and it was not appropriate for him to meet at that time.

Mr. Soroka asked about the status of the Cooperative Agreement. Ms. Ballard indicated that they would meet at the beginning of the new year (2016) to discuss. Mr. Soroka said the NPA health assessment would be ready to launch soon.

Lastly, Mr. Soroka presented a video highlighting the people that are served through the AbilityOne Program.

V. Out of Compliance NPA – Minnesota Diversified Industries Government Services Inc.

Ms. Amy Jensen, Deputy Director of Compliance, introduced Minnesota Diversified Industries Government Services, Inc. (MDI) of Minneapolis, MN, as a SourceAmerica nonprofit agency that has had a historical need for surge protection for over four years.

Ms. Jensen said MDI was unable to meet ratio due to surge requirement in FY 2012, 2013 and 2015. Below are the ratios:

FY 12 Ratio: 61.65%

FY 13 Ratio: 71.13%

FY 14 Ratio: 84.86% (No surge requested)

FY 15 Ratio: Surge granted ahead of the fiscal year

Ms. Jensen defined surge protection as an exemption from meeting the AbilityOne's 75 percent direct labor ratio requirement in order to meet a contractual surge requirement. The Commission staff requested MDI come before the Commission to explain its ongoing need for surge protection.

Mr. Peter McDermott, President and CEO, and Ms. Jean Eglinton, Director of Program Services, presented on behalf of MDI. Mr. McDermott said MDI applied for surge protection for the following period (2012, 2013 and 2015), so he does not know if it is an accurate statement to say they are at ratio.

MDI has had a 51-year partnership with the U.S. Postal Service (USPS) making totes and trays. In October 2013, MDI merged with Deer River Hired Hands. Between October 2013 and September 2014 MDI made one million tubs.

The initial surge took place in November 2014 when there were one million USPS totes and trays ordered and delivered over three months. MDI requested surge protection for FY 2015 in October and received approval in November 2014. In January 2015, a second surge was granted because there were eight million USPS totes and trays ordered over nine months.

Next, Mr. McDermott discussed the staffing history of MDI. In September 2014, prior staffing levels were at 56. The first shift worked at Grand Rapids, Hibbing, and Twin Cities. There were 42 employees with significant disabilities and 14 employees without significant disabilities.

Current staffing levels have reached 259 with three shifts operating at all three locations. There are 45 employees with significant disabilities, 11 without significant disabilities, 59 temporary employees with significant disabilities and 144 temps without significant disabilities.

In FY 2016 USPS indicated that orders for totes and trays would exceed orders from 2014 and 2015 and there was no way to predict the ratio.

Ms. Eglinton explained the barriers to meeting the AbilityOne 75 percent ratio. She said there were transportation challenges for employees and those challenges impeded MDI from meeting all of USPS orders. Other challenges included lack of proper medical documentation, limited human resources staff, unpredictable volumes from USPS, and a national and state push for integrated work settings.

Next, Mr. McDermott discussed the strategies used to hire people with significant disabilities. MDI partnered with transportation providers and provided day training. They also acquired significant equipment and set up three production lines in the Twin Cities to access a larger population base. MDI received grant funding from the state of Minnesota to increase employment services staff.

There were additional actions for MDI to achieve ratio in FY 2016. An effort was made to retain employees with significant disabilities when downsizing. Shifts were eliminated to move employees with significant disabilities to the first and second shifts in Grand Rapids, Hibbing, and the Twin Cities.

Mr. Kesteloot asked if SourceAmerica offered to work with MDI and the USPS to balance the orders. Mr. McDermott responded and said they held meetings with the post office. He said it is expensive to conduct surveys and SourceAmerica has funded them for the last five years. The USPS agreed to tiered pricing to attempt to normalize orders.

Ms. McCulloh asked where the main office is located and Mr. McDermott responded it is in Minneapolis. He also responded to her regarding the size of the board and said there are thirteen members with a two-year term limit.

Ms. Eglinton said MDI collaborated with Arrowhead Transportation who receives Federal Transit Administration grants. Ms. McCulloh said MDI needs to make innovative changes. Ms. Eglinton said Grand Rapids has a ride share program to partner with them. In response to Ms. McCulloh's inquiry about the distance, Ms. Eglinton said the commute to Deer River is 15 miles.

VI. Agency Office of Inspector General

Ms. Kimberly Zeich, Deputy Executive Director, gave a presentation regarding the establishment of an agency Office of Inspector General (OIG). First, Ms. Zeich gave some background saying our statute does not address or authorize an OIG. She said AbilityOne has grown in size and complexity and oversees \$2.8 billion in Federal procurement with 565 providers. In the case of rare but high profile allegations of improprieties, there is a need for independent investigative and audit expertise.

Although the statute authorizes use of reimbursable support service from the General Services Administration (GSA), Ms. Zeich said its OIG may decline AbilityOne referrals. The Government Accountability Office (GAO) Report 13-457, from May 2013, recommended Congressional establishment of an AbilityOne OIG. The November 2014 IG Working Report recommended an independent OIG for AbilityOne. There was a draft business case reviewed by GAO and the Council of Inspectors General on Integrity and Efficiency (CIGIE). Ms. Zeich said the House Oversight and Government Reform (HOCR) Committee staff indicated interest in an OIG business case and a recent press release from seven disability organizations called for an AbilityOne OIG.

Ms. Zeich described some of the ways an OIG could contribute to effective stewardship. She said an OIG could conduct independent reviews of problems and possible solutions, issue fact-filled reports based on professional audits, and investigate and inspect standards. The OIG can perform independent investigations of allegations, as requested by the agency head. They would also maintain hotlines for employees and others to report confidential information and provide technical advice as new plans are developed.

The Commission staff held informal discussions with OMB and HOCR and followed the A-19 process to seek new legislation through OMB. The staff drafted a business case to obtain authority and funding to establish an OIG with input from CIGIE and GAO.

Ms. Zeich outlined the 36-month timeline for establishing the OIG. She said it would be divided into two divisions: audits and investigations.

Ms. McCulloh asked what options are available for getting an independent OIG for AbilityOne. Ms. Zeich said it would require legislation and an increase in budget. In the interim, it would be possible for AbilityOne to work through another Federal agency's OIG.

VII. Subcommittee Update

Mr. Kermit Jones, Chief of Staff, gave an update on the proposed organizational structure of the subcommittees. The staff recommended combining the Employment Growth and Employee & Customer Satisfaction subcommittees. Ms. Wilusz would Chair and Mr. Lewis would Co-Chair with the following members: Mr. Jan Frye (Veterans Affairs), Mr. Harry Hallock (Army), RADM Jon Yuen (Navy), and Ms. Virna Winters (Commerce). The Commission staff leads will be Mr. Barry Lineback and Ms. Nancy Myrick.

Mr. Jones said the Business Excellence subcommittee would combine with Stewardship and Mr. Tom Robinson would Chair with Mr. Robert Kelly as Co-Chair. Dr. Ed Anthony (Education), Mr. Tony Poleo (Department of Defense), Ms. Karen McCulloh (Private Citizen) and Mr. William Sisk (GSA) would make up the membership and the Commission staff leads will be Ms. Patricia Briscoe and Ms. Amy Jensen.

Mr. Jones said the next virtual meetings are scheduled for November 12. Ms. McCulloh asked if this proposal has been confirmed. Mr. Jones said yes, and that the proposal was recommended to improve efficiency with the subcommittees' structure.

VIII. Closing Remarks

Mr. Lewis made remarks about the recent media and policy issues and gave his thoughts regarding the perspective of people with disabilities. He said the goal of competitive integrated employment is to create work environments that pay a competitive (not commensurate) wage where workers with disabilities are able to interact with workers without disabilities. He said we must look at how to move the AbilityOne Program into this new era and that the Pathways Program is proof of a concept that demonstrates how we can support people with even the most significant disabilities toward their goal of competitive integrated employment.

Mr. Lewis stated that several requests for a meeting from individuals that truly represent the disability community have gone unanswered and a true dialogue is needed as we move to reform the program.

After no further comments, Mr. Kesteloot adjourned the meeting at 4:35 pm.

List of Attendees – September 28, 2015

Commission Members

P. Edward Anthony	U.S. Department of Education
Jan Frye	U.S. Department of Veterans Affairs
Harry Hallock	U.S. Department of the Army
Robert Kelly	Private Citizen
James Kesteloot	Private Citizen
Anil Lewis	Private Citizen (via teleconference)
Karen McCulloh	Private Citizen
J. Anthony Poleo	Defense Logistics Agency
Thomas Robinson	U.S. Department of the Air Force
William Sisk	U.S. General Services Administration
Lisa Wilusz	U.S. Department of Agriculture
Virna Winters	U.S. Department of Commerce
Jonathan Yuen	U.S. Department of the Navy

Commission Staff

Tina Ballard
Lou Bartalot
Cory Foster
Amy Jensen
Kermit Jones
Muzaffar Karamat
Timi Kenealy
Stephanie Lesko
Barry Lineback
Dennis Lockard
Timi Kenealy
Nancy Myrick
Angela Phifer
Eugene Quinn
Janet Yandik
Kimberly Zeich

NIB

Steve Brice
Heather Lyons
Kevin Lynch
Dennis Steiner (NAEPB)

SourceAmerica

John Cobb
Clara Conti
Nancyellen Gentile
Elizabeth Goodman
John Kelly
Steve Soroka
Raquel Tamez
Goli Trump
Chris Wilkie
Martin Williams

Government Representatives/Staffers

Herb Brown	USDA
Dina Jeffers	Army
Eugene Quinn, Jr.	OIG
William Sproule	U.S. Department of the Air Force

Others

Jean Eglinton	MDI
Barbara Kesteloot	Private Citizen
Peter McDermott	MDI

Committee for Purchase From People Who
Are Blind or Severely Disabled

Committee Staff Nonprofit Agency Review Manual

June 29, 2007

Table of Contents

Introduction	iii
1. Pre-review Preparation and Initial Onsite Review Briefing	
Scheduling the review	1-1
Preparing nonprofit agency for review	1-1
Collecting previous and current information	1-2
Initial Onsite Briefing	1-3
2. Blind and Severely Disabled Direct Labor Hour Ratios	
Definition of Direct Labor	2-1
Classification of Personnel	2-3
Tracking Direct Labor	2-3
Overall Direct Labor Ratio	2-5
AbilityOne Project Direct Labor Ratios	2-5
Examples of Direct and Indirect Labor Position	2-6
3. Medical Documentation and Competitive Employability Assessments	
Review Methodology	3-1
AbilityOne Requirements for People Who are Blind	3-1
Definition of Blind	3-1
Documentation Requirements	3-2
Normal Competitive Employment	3-2
Medical Documentation	3-2
Not Competitively Employable Assessments	3-3
AbilityOne Requirements for People Who are Severely Disabled	
Definition of Severely Disabled	3-4
Documentation Requirements	3-4
Normal Competitive Employment	3-5
Medical Documentation	3-6
Veterans Affairs (VA) Disability Ratings	3-8
Severely Disabled and Not Competitively Employable Assessments	3-9
Minimum Acceptable Standards	3-9
Competitive Employment Evaluation	3-11
Initial Assessments	3-15
Annual Assessments	3-17
Examples of Eligibility Determinations	3-18
Mental Illness - DSM-IV Axis I clinical syndromes	3-29
DSM-IV Axis II (Personality Disorders)	3-31
Physical Disabilities	3-32
Multiple Disabilities Less than Severe Nature	3-39
Low Vision	3-41

Introduction

This manual is published to provide Committee staff, NIB, NISH, nonprofit agencies and the interested public with a reference work on the practices and procedures used by Committee staff compliance personnel relative to conducting compliance reviews at nonprofit agencies participating in the Javits-Wagner-O'Day Program. It contains instructions to Committee staff on the requirements for medical documentation, competitive employment assessments, direct labor ratio determinations and reviewing Department of Labor requirements, as well as other material in the nature of information, interpretation and examples of the processes involved and outlines the current procedures which the staff is required or authorized to follow in the normal review of a nonprofit agency. The manual does not have the force of law or the force of the rules in Title 41 of the Code of Federal Regulations.

Among the requirements for a nonprofit agency to participate in the AbilityOne Program, 75 percent of its total direct labor hours must be performed by people who are blind or severely disabled. To fulfill this and other compliance requirements successfully, nonprofit agency personnel must fully understand the Committee's definitions of blind and severely disabled and the Committee's requirements for documentation of those individuals who are being counted towards the direct labor ratio.

In light of the differences in definitions and Program requirements, the chapter on medical documentation and competitive employability is divided into separate sections for people who are blind and for people who are severely disabled. The law allows nonprofits associated with National Industries for the Blind (NIB) to count only the direct labor hours of people who are blind towards the 75 percent direct labor ratio, while nonprofits that are affiliated with NISH may count people who are blind as well as people with severe disabilities. NISH-affiliated nonprofits that employ people who are blind should also be familiar with the section on people who are blind, as it contains the Committee's requirements that must be met for the nonprofit's blind employees.

Subsequent changes in practice and other revisions will be incorporated in the form of substitute or additional pages for the manual.

Suggestions for improving the form and content of the manual are always welcome. They should be addressed to:

Committee for Purchase from People Who Are Blind or Severely Disabled
1421 Jefferson Davis Hwy
Jefferson Plaza 2, Suite 10800
Arlington, VA 22202-3259

Or they may be sent via email to: info@jwod.gov.

1.2.7 If AbilityOne work is being performed at separate locations, these locations should be visited if they are within a reasonable distance of the agency. If the agency has many off-site locations spread over a wide geographic area, a sample of sites should be visited. Some agencies operate contracts that are several hours drive from their main facility, or in other states. In these cases, a AbilityOne site visit may not be possible. In the case of work done at night, such as commissary shelf stocking, it may be necessary to obtain a night schedule or clearance from the on-site supervisor so that a visit can be arranged.

1.2.8 A member of the agency's Board of Directors will be invited to attend the Executive Director's exit brief at the conclusion of the review. The contact person should make contact with the Board to determine who will be attending the exit brief.

1.2.9 The Compliance reviewer should send the agency a copy of the Review Form and its companion "Instructions" (an annotated version which explains how to complete the form). The agency is not required to fill out the form prior to the compliance visit. However, it can greatly facilitate the visit if they do a dry run with it and pull together applicable information prior to the arrival of the Compliance reviewer.

1.3 - Collecting Previous and Current Information

1.3.1 There are several pieces of information the reviewer needs to have before visiting the agency. The following information is found in the nonprofit agency file and JPID.

1.3.2 Previous compliance visit information – Check JPID for the date of the last compliance visit, both, by the Committee and by the CNA, and who conducted it.

1.3.3 Previous incidence of compliance problems – Check the last compliance review form (or review summary), other documentation in the file and in JPID for previous compliance problems. Also, make a note of any compliance problems from previous visits so they can be discussed with agency management.

1.3.4 Last Annual Report data – If the direct labor hours for blind/severely disabled workers reported on the Annual Report are below 75% overall or below 75% on AbilityOne work, confirm the most recently reported quarterly ratio with NIB or NISH. The agency may also be operating under an approved phase-in schedule which is temporarily affecting the direct labor ratio.

1.3.5 Current AbilityOne project information – All notices of changes to the procurement list affecting an agency are filed in the nonprofit agency's compliance file and in JPID. The reviewer should check that both agree and take a list of the currently authorized projects to confirm with the nonprofit agency that they are doing the work.

1.3.6 Legal Documentation Review – Review the agency's legal documentation, both By-laws and Articles of Incorporation, and note the date of the most current copy in the agency file.

1.3.7 Projected/start-up direct labor ratios for each item – For items added to the Procurement List since 1988, the agency will have submitted an ADD-5 form (for products) or an ADD-6 form (for services). The form gives the projected ratio of blind/severely disabled direct labor hours for the item.

1.3.8 Phase-in plan or schedule, if applicable – The ADD-5/ADD-6 form also indicates the percent of blind/severely disabled direct labor hours projected at the time of start-up. Determine whether the item is still subject to a phase-in schedule or plan. Contact NIB or NISH to determine the nonprofit agencies current status on its phase-in. Make a copy of the phase-in plan to take on the compliance visit.

1.3.9 Discuss issues with NIB/NISH – Contact the Compliance department of the appropriate CNA to discuss any issues or questions about the agency's operations that have arisen during the preliminary data gathering, or any other issues concerning the agency about which the reviewer should know. The following are examples of issues to discuss with NIB/NISH Compliance staff:

- a) Direct labor ratio on most recent Quarterly Report, in cases where the ratio reported on the Annual Report is below 75% (and if there is no phase-in)
- b) The current status on any phase-in plans still in effect
- c) Whether the agency has had any problems with performance or quality (if known).
- d) Any issues related to the agency's Federal contracts
- e) Compliance with and/or audits by other Federal agencies

1.4 - Initial Onsite Briefing

1.4.1 A compliance review usually starts with a discussion with the agency's Executive Director and/or other staff who have been designated to help with the review. This initial discussion allows the reviewer to explain the individual components of the review, and to determine how the review

will proceed. The compliance review form can be used to outline the general areas that will be examined during the review.

1.4.2 For many agencies, a review by a Federal agency representative concerning what might be a significant portion of the agency's income can be a stressful experience. However, such reviews should be an opportunity for the agency to ask questions or voice concerns about the AbilityOne Program. The important thing to remember throughout the review is that the Committee was created to help provide employment for individuals with disabilities. The Committee's compliance function serves to ensure that this goal is being met within the parameters of Committee's regulations.

1.4.3 The initial discussion can also be used to explore the agency's general organization, location of work sites, and the full range of products and services provided by them, both AbilityOne and commercial.

1.4.4 Arrange with the staff to interview several employees of the agency performing AbilityOne work, especially any who have files that suggest there may not be a "severe disability." Such interviews should only last 5 to 10 minutes.

1.4.5 Remember, as a Committee representative, you may be the only contact the agency has had with a representative of the Federal government, and of the AbilityOne Program, for an extended period of time. Part of the purpose of the on-site review is to provide information and assistance with compliance issues. However, the fundamental responsibility of the compliance staff is to ensure that the agency adheres to Committee regulations. Non-compliance can result in an agency losing the right to provide a commodity or service under the AbilityOne Program.

1.4.6 Any negative comments expressed by the compliance traveler will be taken very seriously by the agency staff. It is therefore recommended that you limit your remarks to regulatory requirements within the Committee's purview. Refrain from stating personal opinions regarding operational or management issues outside of AbilityOne matters.

Chapter 2- Blind and Severely Disabled Direct Labor Hour Ratios

2.1.1 The primary requirement for a nonprofit agency to participate in the AbilityOne Program is that 75 percent of all of the direct labor done at a nonprofit agency be performed by people who are blind or severely disabled.

2.1.2 For nonprofit agencies that work with the blind the JWOD Act's (41 U.S.C. section 48b) definition of a qualified nonprofit agency states:

a. which in the production of commodities and in the provision of services (whether or not the commodities or services are procured under this Act) during the fiscal year employs blind individuals for not less than 75 per centum of the man-hours of direct labor required for the production or provision of the commodities or services.

2.1.3 For nonprofit agencies that work with people with severe disabilities the JWOD Act's definition of a qualified nonprofit agency states:

a. which in the production of commodities and in the provision of services (whether or not the commodities or services are procured under this Act) during the fiscal year employs blind or other severely handicapped individuals for not less than 75 per centum of the man-hours of direct labor required for the production or provision of the commodities or services.

2.1.4 Thus, nonprofit agencies associated with NIB can only count the direct labor of people who are blind; while NISH affiliated agencies can count the direct labor of both people who are blind and those with severe disabilities. The above definitions also make it clear that the ratio is based on all direct labor done by the nonprofit agency, and not just the direct labor on AbilityOne projects. This fact is frequently misunderstood and causes problems not only for new nonprofit agencies, but for some that have been in the Program for years.

2.1.5 These requirements mean that the nonprofit agencies need to be able to do two things that they may not otherwise do. The first is to be able to determine who does direct labor and the second is to determine which workers meet the Committee's definition of blind or severely disabled (discussed in Chapter 3).

2.2 - Definition of Direct Labor

2.2.1 The Act and the regulations (41CFR51-1.3) define direct labor as:

(a) All work required for preparation, processing, and packing of a commodity or work directly related to the performance of a service, but not supervision, administration, inspection or shipping.

2.2.2 This definition fits well with the definition used by industrial engineers for direct labor in manufacturing, which is that direct labor is work that adds value to a product.

2.2.3 Preparation – Tasks involved in reforming raw materials into components of the product or the product itself, including operation of machinery which performs these activities.

2.2.4 Processing – Tasks involved in forming or finishing components or products, or in assembling components, or in assembling components into products.

2.2.5 Packaging – Tasks involved in preparing the finished product for shipment by placing it in one or more containers or wrappings to make it suitable for shipment.

2.2.6 Service direct labor is the performance of those tasks directly required (or specified) in the contract statement of work (SOW), such as janitors and groundskeepers. For services the concept of adding value is also helpful in understanding what direct labor is. If a contract is for janitorial services, then the janitors are direct labor when they perform the requirements of that contract. However, if these workers also did janitorial work at the nonprofit agency itself, they are indirect labor when cleaning the nonprofit. All positions specified in service contracts are not necessarily direct labor positions. Besides the obvious supervisory positions, there are other positions that must be considered indirect labor. Work necessary to maintain equipment, even if covered in the contract, is indirect labor. For example, some grounds maintenance contracts include an individual to maintain the equipment. This individual is doing indirect labor. While the work performed is necessary, it is not the reason why the contract exists. It is identical to the way mechanics who maintain production equipment are considered indirect labor.

2.2.7 Training hours also needs some explanation. Depending on how the nonprofit agency trains individuals the hours spent in training may or may not be direct labor. The deciding factor is whether or not the individual is involved in making a product or providing a service that is purchased from the nonprofit agency. An individual learning to sew may be started by learning to sew together scraps of fabric that are then discarded. This would be indirect labor. However, if the trainee sews some small part of what eventually becomes used in a finished product sold by the nonprofit, then that work is direct labor, no matter how low that person's productivity.

2.3 - Classification of Personnel

2.3.1 As noted earlier the nonprofit agency really needs to be able to classify people into one of four categories – severely disabled direct labor, severely disabled indirect labor, nondisabled direct labor, and nondisabled indirect labor. While technically the nonprofit agency does not have to separate those working in indirect labor into severely disabled and nondisabled some workers may frequently move back and forth between direct and indirect and it makes it much easier for the nonprofit not to have to worry about the disability category every time an individual switches.

2.3.2 Some nonprofit agencies rely on severely disabled people to move material from work station to work station. While production efficiency or plant layout may dictate the need for these material handlers, they are not performing direct labor.

2.3.3 Further complicating the concept of direct labor are people that actually do both direct and indirect labor as a normal part of their job and job titles that depend on what work the nonprofit agency actually has the individual doing. Contracts that require working supervisors are the best example of the former. The contract is such that the government will not pay for a full time supervisor and the supervisor has to split his time between supervising others, indirect labor, and actually doing some of the direct labor. Team leader is perhaps the best example of a job title that has multiple meanings. A team leader may be a supervisor that does no direct labor, a worker that only does direct labor or an individual that does both direct and indirect labor. On small projects, an accurate tallying of proper classifications can be critical to an acceptable ratio.

2.3.4 It is important to explore with the nonprofit agency how it determines who is doing direct and who is doing indirect labor. If the nonprofit agency is manufacturing a product, the reviewer should plan on conducting a tour around the production facility. This affords the reviewer an opportunity to see what is being done and to ask questions grounded in what is observed.

2.4 - Tracking Direct Labor

2.4.1 The method for tracking direct labor hours will vary from agency to agency. Normally, the search begins with the daily time cards and ends with the payroll system that generates an employee paycheck. Most agencies have some degree of automation for their payroll system, and many will have printed out the required information in advance of the compliance review. The reviewer will spot-check the source data (time cards, weekly and biweekly hourly totals, etc.) to insure that the information is being properly reported in the automated reports.

2.4.2 While the Committee does not require that direct labor be tracked in this fashion the preferred method would have all workers coded in the payroll system for:

2.4.3 Disabled or not disabled

2.4.4 Direct or indirect labor

2.4.5 On what project the worker generates hours

2.4.6 It has been shown to be very useful for agencies to code employees in such categories in their payroll system, because it serves at least three critical functions:

2.4.7 To keep track of workers when they do move from one classification to another

2.4.8 To allow for accurate computation of hours worked, in their proper categories

2.4.9 To afford the agency the opportunity to track ratios on a payroll basis

2.4.10 Affords the agency to use the payroll to determine the direct labor ratio rather than having to create another record keeping process.

2.4.11 Some nonprofit agencies maintain separate payroll reports for their "clients" versus "staff." While there may be advantages for the nonprofit agency doing this, it must be noted that all individuals on the client payroll are not necessarily doing direct labor. In addition, for those staff employees performing direct labor, their hours may prove elusive when recorded on the staff payroll. Another common pitfall to be understood with this methodology occurs when individuals who qualify as blind or severely disabled, are not considered clients by the nonprofit agency. This means that information from two separate payrolls must be consolidated before determining the direct labor ratio. This can introduce computational errors.

2.4.12 For those nonprofits that have people that do both direct and indirect labor, by way of working supervisors, there are essentially two ways to track the true number of direct labor hours. The first is to have the worker clock in and out when he is performing direct labor. However, this is frequently impractical because the worker may have to change back and forth many times in a day. The second method is for the nonprofit to conduct a study or maintain a work log on the worker for a reasonable period of time, to cover all the fluctuations of the various work involved, and then determine what is the average percentage of hours spent doing direct labor. The percentage can then be used to determine how many of the individual's hours to add to the direct labor categories.

2.4.13 Reviewers must compare the workers counted as severely disabled on the agency's direct labor tracking report, with those whose documentation verify that they are severely disabled. One way is to use the payroll's direct labor information to generate a list of who they are counting

as severely disabled, which can then be checked during the review of the medical files. The reverse can also be done where the files reviewed can generate a list of the severely disabled, which then can be checked against the payroll documents. Both systems can be employed and the most efficient method will depend on how the nonprofit agency tracks their direct labor.

2.5 - Overall Direct Labor Ratio

2.5.1 It is always important to emphasize the imperative of meeting the 75% direct labor ratio, and that it applies to the total work being done by the nonprofit agency. It is also important to stress the value of agency management reviewing their ratios on a payroll basis.

2.5.2 Preferably, an agency should be able to provide the current cumulative direct labor hours from the beginning of the fiscal year. It is acceptable however, to report data for the last pay period by itself. But if so, a check of the agency's last quarterly report should also be made. It is important to stress to those that can't provide an up to date cumulative ratio that they run the risk of not realizing that they are below ratio until they do their quarterly report and that being under ratio for a quarter of the year significantly increases the possibility of finishing the year below the required 75 percent.

2.6 - AbilityOne Project Direct Labor Ratios

2.6.1 Committee policy directs that at least 75 percent of the direct labor hours performed on the aggregate of AbilityOne work should be done by people who are blind or severely disabled. However, the ratio on individual AbilityOne projects must be no lower than 60%. The Committee expects that the nonprofits will be in compliance with this requirement by fiscal year 2007. This policy is not as inflexible as the 75% overall direct labor ratio requirement. The Committee understands that there are many different factors that can adversely affect direct labor ratios and will take at least the following into consideration when reviewing a nonprofit agency's failing to meet the requirement:

- a) Approved phase-in in effect,
- b) Projects with fewer than five blind or severely disabled workers,
- c) Projects under national emergency or wartime surge requirements,
- d) Individual projects approved by the Committee at lower ratios,

e) The effect of promoting people who are blind or severely disabled into supervision or management positions or into competitive placements.

2.6.2 It is important to stress to nonprofits with multiple projects, all of which were added at 75% or higher, that they should have an AbilityOne ratio of at least 75%.

2.6.3 In 2003 the Committee required that every nonprofit begin tracking AbilityOne projects; if not on an individual project basis, then at least on a product or service family basis. Therefore, there should be no reason why a nonprofit agency can not provide the direct labor ratio on at least a product or service family basis and in most cases on an individual project basis. The reason for the families was for those circumstances where the same individuals were working on more than one product or service.

2.6.4 The nonprofit agencies need to understand that the Committee is working towards the nonprofit agencies reporting to the Committee project level data on annual basis and that it will probably happen before 2010.

2.7 - Examples of Direct and Indirect Labor Positions

2.7.1 The following table provides some examples of jobs with a brief list of tasks performed and whether the job is a direct labor or indirect labor position. It should be noted that it is frequently not the job or tasks that makes a position direct labor, but who the work is being performed for.

Job Title	Tasks	Location	Direct Labor	Indirect Labor	Reason
Cashier	Operates cash register Reconciles money	Mess Hall on Air Force Base	X		Required in SOW
Sales Clerk	Assists Customers Sells merchandise Straightens merchandise	Nonprofit thrift shop		X	While need to sell the product, no value is added to the product being sold.
Supplier	Distributes pages to workers Picks up completed booklets Transports booklets to packaging area	Nonprofit production area		X	No value added to actual production. This is a material handling function.
Janitor	Cleans dock and warehouse Sweeps aisle of production area Cleans bathrooms and empties office trash	Nonprofit production and office areas		X	While required to keep building clean no value is added to any product or service sold by the nonprofit agency.
Janitor	Mops bathroom floors Vacuums carpeted areas in offices Empties wastebaskets Dusts	State Office Building	X		Since this work is done as part of a contract requirement it is direct labor
Mess Attendant	Serves meals Maintains Walkways	Nonprofit cafeteria		X	Internal operation not associated

	and entrances Cleans tables				with any product or service contract
Mess Attendant	Serves meals Maintains Walkways and entrances Cleans tables	Mess Hall on Marine Corps Base	X		Since this work is done as part of a contract requirement it is direct labor
Groundskeeper	Operates mowing and trimming equipment Picks up litter	Grounds Maintenance Contract on Army Base	X		Work is done as part of a contract requirement it is direct labor
Mail Clerk	Prepares letters and packages for mailing Sorts and distributes incoming mail	Mail Room contract in a Federal Building	X		Work is directly related to the performance of the mail service
Van Driver	Drives equipment and crew between contract locations	Nonprofit mobile crew		X	Duty is not required on any of the individual contracts. Even on a single contract like a base wide janitorial contract it is not direct labor
Van driver	Delivers mail from central location to remote locations	Mail Room contract with Government Agency	X		This work is a requirement of the SOW
Sorter	Sorts incoming goods for transportation to repair department Sorts trash	Nonprofit thrift shop	X		Adds value to the sale of merchandise.

	into barrels Selects quality items for resale				
Trimmer	Jogs sheets to square Trims edges to square Places tray on conveyor	Nonprofit production floor	X		Processing of an item for product completion.
Packer	Places 12 finished items in carton Places four cartons in box Places 96 boxes on pallet Wraps pallet for shipment	Nonprofit production floor	X		These are all packing tasks and are direct labor. However, moving the pallet to storage or onto a truck would be indirect labor.
Forklift Operator	Loads and unloads trucks Signs shipping tickets and bills Maintains forklift Reports operational problems to manager	Nonprofit Loading Dock		X	Material handling, administration, maintenance. All are indirect labor tasks.
Forklift Operator	Loads and unloads trucks Moves material around in warehouse	Warehouse contract with the Defense Logistics Agency	X		The contract for running the warehouse requires that these tasks be performed.

Chapter 3 - Medical Documentation and Competitive Employability Assessments

3.1 - Review Methodology

3.1.1 The Committee staff person will examine a random sampling of files for individuals working on AbilityOne and a random sampling of the files of non-AbilityOne employees. It is important that files from all work programs at the nonprofit be represented, e.g. extended employment, enclaves, mobile crews, state use contracts, etc. The percentage of files reviewed will depend on the reason for the review, but at least 10 to 20 % of the total files for both AbilityOne and non- AbilityOne employees will be reviewed. Some reviews may require a review of all of the files. When there are less than 50 employees, half should be reviewed and if less than 20, all the files should be reviewed.

3.1.2 To accomplish this, it is helpful to obtain from the agency staff a list of employees by name that shows their status as direct/indirect labor, disabled/non-disabled and AbilityOne /non- AbilityOne. This information will be helpful in the file review, direct labor hour tracking, and AbilityOne employee interviews. Depending on the agency, it may also be helpful to get an idea for how the files are maintained, and by how many different managers. Very often the reviewer will find that individual case managers or supervisors will maintain their clients' records differently, so it may be necessary to review files variously maintained or at different work sites.

3.1.3 While there are no requirements for the nonprofits to do so, questions should be asked about whether or not the nonprofit makes quality audits of their documentation. If the answer is no, then it should be suggested that the nonprofit do so. These files are working documents for the nonprofit and over time pages can get misplaced or discarded by accident and as a result files that they believed are acceptable no longer contain adequate documentation.

3.2 - AbilityOne Requirements for People Who are Blind

Definition of Blind

3.2.1 The Committee's regulations (41CFR51-1.3) define blind as:

Blind means an individual or class of individuals whose central visual acuity does not exceed 20/200 in the better eye with correcting lenses or whose visual acuity, if better than 20/200, is accompanied by a limit to the field of vision in the better eye to such a degree that its widest diameter subtends an angle no greater than 20 degrees.

3.2.2 The Committee's definition is the same definition as used by other laws, Federal and State agencies. Individuals that meet this requirement are referred to as legally blind by the World Health Organization (WHO), Social Security Administration (SSA), and State Blind Commissions and other vocational rehabilitation agencies. Therefore, an individual must be legally blind to count towards the direct labor ratio.

3.3 - Documentation Requirements

3.3.1 Section 4 of the Committee's regulations specifies the requirements that a nonprofit agency must meet to enter and maintain its qualifications in the AbilityOne Program. In section 4.3(b) on maintaining qualifications it states:

- a) Maintain a file for each blind individual performing direct labor which contains a written report reflecting visual acuity and field of vision of each eye, with best correction, signed by a person licensed to make such an evaluation, or a certification of blindness by a State or local governmental entity.
- b) (Maintain in each file, for blind workers performing direct labor, an annual evaluation of their ability/non-ability to engage in normal competitive employment. These evaluations must be signed by a person qualified by training and/or experience to make such determinations.

3.4 - Normal Competitive Employment

3.4.1 The Committee has historically considered normal competitive employment as the ability of an individual to find, obtain and maintain a non-AbilityOne job, without outside supports. The JWOD Act does not require that blind people be not competitively employable, for their direct labor hours to be counted towards the 75 percent requirement. However, competitive employability is a critical requirement for people with severe disabilities, and it is discussed in much greater detail in the section, "**AbilityOne Requirements for People Who are Severely Disabled,**" specifically the subsection "competitive employment evaluations."

3.5 - Medical Documentation

3.5.1 The medical documentation for counting blind workers towards the 75 percent direct labor ratio is straight forward. It must contain documentation indicating that the individual's visual acuity and/or field of vision meets the Committee's definition and it must be signed by a person qualified to make such a determination. In cases where the individual's vision makes it impossible to read an eye chart, examiners sometimes use abbreviations such as:

- a) NLP – no light perception
- b) HM – hand motion, indicating that the individual can see the motion of the examiner's hand. This is often synonymous with FC - Finger Counting,

which indicates that the individual can count fingers at the range of approximately one foot.

c) LP – light perception, indicating that the individual can only recognize some degree of light

3.5.2 Other terms and abbreviations such as no vision (NV) and Light sensitive (LS) may also occasionally be used.

3.5.3 The above measures are consistent with at least legal blindness, provided it applies to the corrected best eye.

3.5.4 Documentation may also consist of a test indicating the individual's field of vision. This is important when an individual's central vision is reasonably good, because if the field is less than 20 percent, then that individual is legally blind.

3.5.5 Some States issue certificates of blindness. While these certificates do not state the specific vision measurements, they do certify that the individual is legally blind. And since they are issued by the state, they constitute adequate documentation.

3.5.6 Absent the above, and if the documentation does not clearly state an individual's visual acuity or field of vision, additional documentation will be necessary to clarify whether the individual is in fact legally blind.

3.5.7 For further information on blind diagnoses, consult the Dictionary of Eye Terminology by Barbara Cassin and Sheila Solomon, available at the Committee staff offices. If there is any uncertainty about an unfamiliar diagnosis on the eye Medical report, wherein the acuity of vision is not clear, the compliance reviewer should advise the agency that a determination of blindness is not derived from diagnoses per se, but rather from the actual degree of visual acuity and therefore without it, an acknowledgement of legal blindness cannot be made.

3.6 - Not Competitively Employable Assessments

3.6.1 The Committee does require that nonprofit agencies complete an annual assessment for the competitive employability of each blind employee. Individuals who are found to be competitively employable may still have their direct labor hours counted towards the 75 percent requirement. Any blind worker who desires competitive employment will receive placement services from their nonprofit employer in order to obtain such a position.

3.6.2 The simplest statement of competitive employability would be two questions; the first indicating whether or not the individual is currently capable of competitive employment and the second whether the individual is interested in a competitive job outside of the nonprofit. The questions would include a yes or no selection and a space for explanations of why the individual is not considered

competitively employable (accommodations and supports and employee desires) and employee wishes. Statements that are undated, unsigned, or provide no reasons supporting the determination are not valid non-competitive employability documentation. If a preprinted form is used, it can not include a presumptive statement indicating that the individual is not competitively employable.

3.6.3 Many nonprofit agencies have other State and community requirements that they must meet, or conduct annual employee evaluations. The Committee has long held that AbilityOne requirements can and should be made part of these assessments. There are no requirements for specific AbilityOne forms or documentation, just that the Committee's requirements be met.

3.7 - AbilityOne Requirements for People Who are Severely Disabled

Definition of Severely Disabled

3.7.1 The Committee's regulations (41 CFR 51-1.3) define severely disabled as:

- a)** *Other severely handicapped and severely handicapped individuals* (hereinafter persons with severe disabilities) mean a person other than a blind person who has a severe physical or mental impairment (a residual, limiting condition resulting from an injury, disease, or congenital defect) which so limits the person's functional capabilities (mobility, communication, self-care, self-direction, work tolerance or work skills) that the individual is unable to engage in normal competitive employment over an extended period of time.
- b)** Capability for normal competitive employment shall be determined from information developed by an ongoing evaluation program conducted by or for the nonprofit agency and shall include as a minimum, a preadmission evaluation and a reevaluation at least annually of each individual's capability for normal competitive employment.
- c)** A person with a severe mental or physical impairment who is able to engage in normal competitive employment because the impairment has been overcome or the condition has been substantially corrected is not "other severely handicapped" within the meaning of the definition.

3.7.2 Therefore, to be considered eligible to count toward the direct labor ratio, there are three components that must be met: first, an individual must be disabled, second, it must affect one of his/her functional capabilities, and third the individual is not capable of engaging in competitive employment.

3.7.3 The Committee's definition of severe disability is only one of many definitions used by the Federal Government. In July 2003, the Interagency Committee on Disability Research compiled a list of Federal statutory definitions of disability. There were a total of 67 laws listed that dealt with various issues such as civil rights, education, employment and housing. The Committee's definition is unique, but shares common themes with a number of other Federal definitions.

For those interested, the following link provides a complete list of the definitions:
<http://www.icdr.us/documents/definitions.htm#civil>

3.8 - Documentation Requirements

3.8.1 Section 4 of the Committee's regulations specifies the requirements that a nonprofit agency must meet to enter and maintain its qualifications in the AbilityOne Program. Section 4.3(c) on maintaining qualifications states:

a) Each nonprofit agency employing persons with severe disabilities participating in the AbilityOne Program shall, in addition to the requirements of paragraphs (a) and (b) of this section, maintain in each individual with a severe disability's file:

I) A written report signed by a licensed physician, psychiatrist, or qualified psychologist, reflecting the nature and extent of the disability or disabilities that cause such person to qualify as a person with a severe disability, or a certification of the disability or disabilities by a State or local governmental entity.

II) Reports which state whether that individual is capable of engaging in normal competitive employment. These reports shall be signed by a person or persons qualified by training and experience to evaluate the work potential, interests, aptitudes, and abilities of persons with disabilities and shall normally consist of preadmission evaluations and reevaluations prepared at least annually. The file on individuals who have been in the nonprofit agency for less than two years shall contain the preadmission report and, where appropriate, the next annual reevaluation. The file on individuals who have been in the nonprofit agency for two or more years shall contain, as a minimum, the reports of the two most recent annual reevaluations.

3.8.2 As a result, to be eligible to count toward the direct labor ratio for people with severe disabilities, an individual must have documentation in his or her file that not only describes the nature and extent of that individual's severe disabilities, but explains the extent to which the disabilities affect his or her life functions. In addition, the file must contain an evaluation of the individual's ability to be employed competitively.

3.8.3 It must also be stressed that since the JWOD Act specifies that the direct labor ratio is for all direct labor done at the nonprofit, the documentation requirement applies to everyone doing direct labor at the nonprofit and not just those working on AbilityOne projects.

3.9 - Normal Competitive Employment

3.9.1 The JWOD Act and Committee's regulations say that the individual must not be capable of normal competitive employment, but does not define this term. The

Diagnosis	Licensed Professional	Report in File
Mental Retardation	Psychologist	Psychological Evaluation
	School Counselor	Intellectual Report
Mental Illness	Psychiatrist or Clinical Psychologist	Psychiatric Evaluation
	Licensed MH Counselor Psychiatric Mental Health Nurse Practitioner (PMHNP)	Diagnostic Summary
Physical Impairment	Medical Physician (MD) Nurse Practitioner (NP) Physician Assistant (PA)	Medical Report

3.10.2 For some severe disabilities such as mental retardation and significant mental illness, severity, or extent of the disability, is an inherent part of that diagnosis. However, for conditions where severity may exist on a continuum, from mild to severe, the documentation must provide some determination as to where the individual is on that continuum, in order to ascertain the measure of severity. Prescribed medications and work restrictions are two common ways where a rough understanding of indicating the extent of a condition can be gained. The particular prescription and dosages can be a valuable clue and specific measurable lifting or movement restriction may also provide information on the extent of the condition. On occasion, a diagnosis may note that the condition is severe, and this will be sufficient, given that particular disorder. For example: "arthritis is a disease that occurs on a wide continuum. A diagnosis stating that the individual has severe arthritis would meet the documentation requirement. However, it would also be expected that the individual would exhibit workplace limitations consistent with that diagnosis. For some, an actual degree of impairment may still not be known. This is where the actual performance limitations on the job, will need to be ascertained.

3.10.3 The AbilityOne definition states that the individual must not only have severe disabilities, but they must affect his or her life functions. The information on how the life functions are being affected will be contained in the medical documentation for some disabilities, but it is not always included in the medical documentation. This information can come from the nonprofit and other sources such as the state Vocational Rehabilitation agency (VR). Information on the life functions being affected and the supports and accommodations being provided increase the understanding of how severe the disability is.

3.10.4 Depending on the disability, the age of the documentation may invalidate it, as some disabling conditions can improve over time. Likewise, rehabilitative gains may result in an individual becoming competitively employable. This is why

the Committee's regulations require that the competitive employability evaluations be done initially and on a minimum of an annual basis thereafter.

3.10.5 For those who do not come from a referral agency like VR, such as self-referred individuals, it is sometimes difficult to obtain adequate medical documentation. Requests to those individuals to provide the documentation themselves are frequently ineffective, as they often don't have it, or cannot explain to their doctor what the nonprofit agency requires. The nonprofit agency should identify the individual's source of primary medical care and send the doctor or counselor a request containing a signed release from that individual. The request should be as specific as possible, particularly given the necessity for knowing the extent of disabling aspects to the medical diagnoses at hand. An explanation as to the purpose of the information can be invaluable; many physicians routinely downplay the disabling aspects of medical conditions, to avoid negatively impacting the employment potential of their patients. Thus, it is important for the medical professional to understand that the AbilityOne Program *requires* a person to have a bona fide severe disability in order to qualify for positions reserved for those individuals, and that the extent of the disability must also be documented.

3.10.6 The Committee's regulations also allows for certification of a disability by a state or local government entity. This could be a state VR office, commission for the Blind, public school system or mental health agency. The certificate must indicate who the issuing entity is, be signed and at least list the disabilities that the individual has. A VR letter that just states that the individual is eligible for services is not adequate nor is a letter that simply states the individual is severely disabled. As this certification is taking the place of the medical documentation it must provide the nonprofit with enough information for the nonprofit to begin the assessment process.

3.11 - Veterans Affairs (VA) Disability Ratings (all conditions)

3.11.1 VA ratings of disability are specified in percentages, with 100 percent implying too many people that an individual is totally disabled. However, these percentages expressed as "disability ratings" are actually VA adjudicated levels of a "compensable medical condition." Such conditions may or may not have a functional disability component, regardless of percentage.

3.11.2 A rating of "100% disabled" would not automatically result in a person being *severely disabled* for AbilityOne purposes. In most cases, such individuals would likely be considered severely disabled; however, they are often very far from the total incapacitation implied by the 100% rating. A frequent misperception that follows from this occurs, for example, when a worker with a 40% VA disability rating is seen to have only 60% of the functional ability of a non-disabled worker. With misinterpretations of this kind, determinations of *severely disabled* and *not competitively employable* can be made in error. However, the worker's

demonstrated productivity and minimal need for accommodation would indicate the correct assessment.

3.11.3 VA rating certificates that serve to document a worker's claim to a severe disability do not always provide a diagnosis. Sometimes, only an anatomical location is mentioned, such as "Left knee 20%." Neither the actual disability nor the extent of disablement is stated so the rating percentage often becomes a substitute for the actual functional limitation. However, as stated above, ratings percentages are not a reliable measure of functional disability. Although clinical descriptions and measures of impairment typically do exist in the individual's VA medical records, through their adjudication process, these quantifications become converted into the ratings noted. Regardless of the rating percentage assigned, the actual degrees of impairment, extent of functional limitation and amount of workplace accommodations needed, are critical measurements in determining the severity of any disability and the competitive employability of any worker.

3.11.4 In summary, VA percentages by themselves do not constitute adequate documentation of a severe disability for the AbilityOne Program.

3.12 - Severely Disabled and Not Competitively Employable Assessments

Minimum Acceptable Standards

3.12.1 Every year, each nonprofit agency must certify to the Committee that there is a file containing adequate evidence of a severe disability and an annual review of competitive employability for each direct labor employee who is blind or has other severe disabilities, including both AbilityOne and non- AbilityOne workers, verifying that the individual meets the Committee's criteria per 41 CFR 51-4.3. These assessments must be done correctly, as they are the basis of the annual certification and are certifying each individual as severely disabled and not competitively employable. It is also important to emphasize that they must be done on all workers categorized as severely disabled – not just those working on an AbilityOne contract.

3.12.2 Many nonprofit agencies have other state and community requirements that they must meet, such as annual Individual Service Plans. The Committee has long held that the Committee's requirements can and should be made part of these assessments. If done correctly, there is no requirement for individual forms or documentation just to meet the Committee's requirements. The document need only contain the information on functional limitations and competitive employability mentioned below.

3.12.3 If an individual service plan or similar document is not done then the minimum acceptable documentation is a signed and dated written narrative that synthesizes the individual's disability or disabilities, indicates which functional limitations are being affected and documents why the individual is not competitively

employable by indicating the accommodations and supports being provided to the individual. This evaluation does not need to be extensive; in most cases, it need not exceed one page. This assessment does not replace the need for signed medical documentation to be present in the file.

3.12.4 If a form is to be developed specifically to meet the AbilityOne requirements, it should contain the following:

- a) Synopsis of severe disabilities – This section simply lists the individual's impairment(s) that the nonprofit believes are a severe disability. It does not replace the signed medical documentation. Rather it acts as a place to list multiple impairments; which may come from different documents, from various sources. This will assist both the nonprofit and the reviewers in understanding what the individual's disabilities are.
- b) Synopsis of functional impairments – This section serves as an area to explain how the individual's severe disabilities affect their life functions (self-care, self-direction, work skills, work tolerance, communication or mobility). This information may come from the medical documentation or other sources.
- c) Competitive employability – This is a simple yes or no to the question: "Is the individual currently capable of competitive employment?"
- d) Rationale for noncompetitive employability – This is the nonprofit's reasoning for why it considers the individual to be **not** competitively employable at this time. This section must provide details of the disability-related accommodations and supports that are being employed. Things that should be considered include: job accommodations, supports, and employment history. It may also contain information on the goals that have been set for the individual for the next year. Nonprofits may also utilize a check sheet to insure that many of the common issues are considered when assessing an individual.
- e) Evaluator information – The evaluation must be dated, and the name, title, and signature of the evaluator must also be present to be considered valid.

3.12.5 If a preprinted form is used, it cannot include a presumptive statement indicating that the individual is not competitively employable. The simplest statement of competitive employability is a question as to whether or not the individual is currently capable of competitive employment with a yes or no selection and a space for the reasons (accommodations and supports) why the individual is not considered competitively employable. Statements that are undated, unsigned, or provide no reasons supporting the determination are not valid non-competitive employability determinations.

3.13 - Competitive Employment Evaluation

3.13.1 The concept of normal competitive employment or competitive employability in the AbilityOne Program is as fundamental as it is unique. The documented evidence of a severe disability, the significant functional limitations resulting from it, and the requirement for substantive workplace accommodations, in concert, forms the basis by which a person's *non-competitive employability is established and justified*.

3.13.2 However, a subparagraph of the Committee's regulations [41 CFR 51-4.3(c)(2)] goes a bit further:

a) These reports shall be signed by a person or persons qualified by training and experience to evaluate the work potential, interests, aptitudes, and abilities of persons with disabilities and shall normally consist of preadmission evaluations and reevaluations prepared at least annually.

3.13.3 The key point is that the nonprofit agency must have an ongoing evaluation program. Furthermore, the initial and annual competitive employment determination need to be completed by a person with education, training, or work experience that is commensurate with making such a determination.

3.13.4 Although the regulation is not more specific as to what would constitute sufficient training and experience, it is to the advantage of nonprofits that they have flexibility here. In this context however, education would broadly refer to college work centered in the behavioral sciences. Experience generally involves on-the-job responsibilities focused on evaluating individuals with severe disabilities. This would include duties commensurate with pre-admission and other evaluative decisions regarding placements and the provision of substantial accommodations for workers who have the full range of those disabilities served by their agency. The tasking of site or project supervisors with determining competitiveness is not what is intended here, as they typically do not have either the education or specific experience noted above. Direct supervisors usually do have a good understanding of how their disabled workers are performing on the job. However, these supervisors seldom have the background knowledge of severe disabilities, their symptoms and disabling manifestations. Nonetheless, the input of supervisors is indispensable to the evaluation process, particularly where it pertains to the implementation of accommodations and the individual work performance. However, the competitive employment evaluation should usually be completed by another individual: rehabilitation director, rehab counselor, or other managerial staff designated to make non-competitive determinations. Even if the supervisor is seen to have the background and knowledge of severe disabilities, his or her position has an inherent conflict of interest resulting from a desire to retain good workers, who might not actually qualify under AbilityOne rules.

3.13.5 The Committee's definition does allow the evaluation process to be done by an entity other than the nonprofit. However, when this is done, the individual doing the evaluation must meet the evaluator criteria noted above, be familiar with the AbilityOne Program's definitions, and have all pertinent job performance information at their disposal. This would include having the specifics of the accommodations and supports that the nonprofit agency is providing to the worker. For example, a psychologist conducting a clinical exam may believe that an individual is not capable of competitive employment. But for this evaluation to be used for the purpose of meeting AbilityOne requirements, it must be based on more than just that exam. It must also take into account the individual's actual work performance at the nonprofit agency, as well as the accommodations and supports being provided. If the worker has high performance and there are no accommodations, the psychologist's opinion will not carry. From this, a means for communicating all relevant job information to an outside evaluator must be created for such evaluations to be in any way effective. It goes without saying that similar avenues of communication are essential *inside* nonprofit agencies.

3.13.6 In assessing a person's capacity to hold a competitive job, a *best judgment* ultimately has to be made. Unfortunately, the medical issues and mental limitations presented do not come with numeric values to simply add up. In making the competitive employability determination, the reviewer should consider whether a reasonable observer, albeit one knowledgeable of AbilityOne Program's criteria, see this person as being severely disabled, to the point that he or she would be unable to find and maintain a normal competitive job without supports.

3.13.7 Instances where the judgment has not met the reasonable-person test tend to occur when the disabling condition at issue hasn't been evaluated in the manner described in this guidance. Justifications that rely on the following factors are likely to be insufficient and unacceptable:

- a. State VR referral document without a clear diagnosis
- b. Social disadvantages used as disability intensifiers.
- c. A simple listing of multiple medical conditions.

3.13.8 In addition to functional limitations directly related to an individual's severe disability, some relevant indirect factors may affect competitive employability such as absenteeism, age, educational level, vocational skills and work history. For example, a consistent failure to show up for work could be either a conduct issue, or a symptom of a behavioral/emotional problem. It is essential that the difference be known, as both causes will negatively affect employability. The former is disability-related, while the latter is, and can be diagnosed and documented. Absenteeism that is directly related to documented medical and psychological conditions should always be considered when evaluating an individual's competitiveness.

3.13.9 It would be unrealistic to assess someone's competitive employability status on the basis that they could do any job. The assessment must be based on the individual's ability to function within his/her current vocational scope and inherent capabilities. For instance, it could be determined that someone with a back condition is not competitively employable because he or she is 60 years old, only has a sixth grade education and can no longer work as a general construction laborer, which is the extent of the individual's vocational scope. Conversely, someone with higher intellectual skills and experience in a sedentary job, with the same back condition, may not be severely disabled because they are able to continue engaging in competitive employment. The difference is that the latter can continue to do the essential functions of a job within the individual's general past capabilities (with or without reasonable accommodations), while the former cannot.

3.13.10 Productivity may or may not support an individual being considered not competitively employable. If productivity is below 60%, it would clearly support an individual being considered not competitively employable, given that the lower productivity is disability-related and not just a function of poor motivation. Productivity levels above 75-80% are within the general range of competitively employed people. On the other hand, just because a worker's productivity is at or above 100%, does not necessarily mean that he or she is competitively employable. The work may have been partitioned to allow the individual to work at a high functioning rate, or the individual may have other disability-related problems, for which significant accommodations are still necessary.

3.13.11 Occasionally, when a nonprofit agency assumes performance of a commercial contract, it finds that some of the existing workers have disabilities and thus classifies them as severely disabled and not competitively employable. However, when someone with a disability of any degree is working in a competitive employment setting, and receiving no more than a reasonable accommodation, as defined by ADA standards, that person cannot be considered severely disabled in accordance with the AbilityOne definition. However, in the case where an employee was being supported or accommodated by the commercial contractor to such an extent that he or she really was not competitively employed, as a result of functional limitations from a disability, the nonprofit agency may consider this individual to be severely disabled and not competitively employable. However, the nonprofit agency needs to carefully document the significant accommodations that were previously provided (and required still).

3.13.12 People referred to nonprofit agencies by State Vocational Rehabilitation Services should not be assumed automatically to meet the requirements of the AbilityOne Program. VR's definitions and requirements differ from those of the AbilityOne Program and all of the people eligible for VR services will not meet the Committee's definition of severely disabled. As a result, while the majority of individuals who are referred by VR may qualify for the AbilityOne Program, some simply will not meet the definition. A referral from VR must therefore go through the same assessment process as any other referral. Similarly, a VR determination

that an individual is not competitively employable should not automatically be taken as meeting the Committee's definition. Some nonprofit agencies utilize a VR counselor to do the initial assessment. While a VR counselor clearly meets the Committee's requirement for the evaluator, the nonprofit agency must be very careful to insure that the counselor is utilizing the AbilityOne Program's requirements in making the assessment.

3.13.13 In some ways, the parameters of assessment in a competitive employment evaluation are counterintuitive to common rehabilitative practice. To maximize rehab effectiveness, it is routine that a severely disabled worker's positives be emphasized, for his success will depend on the skills he has. "What are his capabilities?" might be the first question asked. However, in determining a severely disabled worker's non-competitive employability, it is the impairments resulting from his disability that must be assessed. In other words, "What functional limitations does he have that are due to his disability?" Such impairments and their extent must be fully known, if appropriate accommodations are to be provided.

3.13.14 Essentially, one must focus on the ultimate purpose of these two seemingly contradictory evaluations of the same individual. One looks at what he **can** do, while the other assesses what he **can't**. However, while the competitive employability assessment focuses on what the individual can't do it must be emphasized that it is not necessarily a negative assessment and that when done correctly the assessment can be a positive tool to help the individual understand those areas that need improvement in order to work competitively in the community.

3.13.15 Taking into account the two previous paragraphs, nonprofit agencies should, to every possible extent, seek input from workers on their disabilities. In addition, they should provide workers with information about the AbilityOne program. Specifically, and in terms of disability related issues, the worker should be given an opportunity to give their view of the accommodations and job supports being provided or contemplated. Given worker's capacity for understanding, agencies also need to explain the purposes of AbilityOne, and how it operates with regard to those individuals who are given jobs affected by it. The first and most practical forum for accomplishing this is during the initial evaluation for competitive employability. As for the annual evaluation, many agencies are required by their states to conduct an "Individual Service Plan" (ISP), on an annual basis. When this is the case, the AbilityOne annual evaluation for competitive employment should be folded into this process, due to the significant overlap of related issues. The employee's presence in this forum is highly appropriate. And for agencies that do not need to have ISPs, they can simply do the AbilityOne annual competitive employment evaluation on a schedule of their own, and engage the employee in that forum.

3.13.16 Finally, nonprofits on occasion use a determination of non-competitive employability to justify classifying an individual as severely disabled, e.g. “the disability **must** be severe, or he would have been deemed competitively employable.” This logic should be reversed. The disability must be established first, then its severity by ascertaining the extent of impairment, followed by a determination of how this would or would not cause the person to be capable of normal competitive employment.

3.13.17 Given the complexity of individual cases, where the disabilities, medical history and job performance comprise the factors to be considered, the nonprofit agency remains the appropriate entity to determine competitiveness. Still, the Committee’s regulations call for an ongoing evaluation program. It is not sufficient for nonprofits simply to assure that the annual evaluation statements are checked off, signed, and put in the files. There needs to be evidence that a process exists, one containing solid deductive logic. Evidence of training on the unique aspects of AbilityOne requirements must be provided to all individuals who will be making such assessments.

3.14 - Initial Assessments

3.14.1 An initial evaluation must be conducted on all employees who are, or will be engaging in direct labor. The initial evaluation determines whether an individual meets the Committee’s definition of severely disabled and not competitively employable. Although termed a preadmission evaluation, the Committee allows the nonprofit agency 30 days after the individual has begun work to complete the evaluation. This allows the nonprofit agency to make an appropriate job assignment, observe on-the-job performance, and assess disability-related accommodation needs. Only with this background will the nonprofit agency be able to make and document an informed determination of a worker’s non-competitive employability. It is even possible in a few cases that more than 30 days will be required to do a complete assessment. However, in these cases it is recommended that an assessment be made at the 30 day point and that another assessment be made when all the information is available.

3.14.2 When making an initial determination that an individual can be counted as ***severely disabled and not competitively employable***, the nonprofits need to answer three questions, all in the affirmative:

- a) Does the individual have a physical or mental impairment, or a residual limiting condition that is the result of an injury, disease, or birth defect?
 - l) If yes, confirm the presence of a diagnosis with supporting medical documentation. This information should include measurability: the nature, extent. The signature of a licensed

healthcare professional or certification of the disability by a governmental agency must also be present.

II) A nonprofit may have a questionnaire that asks all new direct labor employees questions such as do you feel you have a disability?, Are you under the care of a medical or mental health provider? Are you taking any medications? If yes, please list. If an employee indicates that he or she is not disabled, but also indicates that he or she takes anti-psychotic medication, an assumption can be made that further investigation is warranted.

III) Example: A job applicant indicates that he or she has a bad back and as proof provides workman's compensation paperwork. By itself the paperwork does not automatically make the individual severely disabled. The documentation must provide information on the nature and extent of the back condition and whether or not this is a permanent injury.

a) *Does the individual have any functional limitations in self-care, self-direction, work skills, work tolerance, communication or mobility, as a direct result of the aforementioned impairment(s)?*

I) If no, the nonprofit has just determined that the individual is not severely disabled and can not count towards the 75% direct labor ratio.

II) If yes, review the medical and personnel records relevant to the above factors and work history. If the individual has been working during an evaluative period, interview the supervisor(s) to gather information on functioning, accommodations and supports that are needed, due to the individual's impairments. Interview the individual, with regard to any functional limitations he or she may have relating to a medical or psychological condition. It may also be pertinent to ask about daily living activities and if they impaired?

III) Example: An individual has a bulging disc in the lumbar spine; this is causing pain and some numbness and tingling down the leg (radiculopathy) and the individual is limited in work tolerance and mobility. This does not mean that the individual is severely disabled, but that he or she is functionally limited by a medical condition. The nonprofit must determine the severity of the individual's functional limitations before proceeding to the next step.

a) Are the functional limitations significant enough to cause the individual to be currently unable to engage in normal competitive employment, over an extended period of time?

I) To justify determinations of non-competitive employability, one should look back to the above questions. Workers **must** have disabilities that produce limitations that are significant enough to cause them to be not capable of finding and maintaining work on their own. The determination must describe this causal relationship in an evidenced based manner.

II) Example: The most recent medical records are three months old and indicate that the individual complains of moderate to severe back pain from a L5-S1 disc bulge, but that he had full range of motion when examined. The individual was referred to physical therapy, was prescribed pain pills and given restrictions not to stand, walk or sit for more than two consecutive hours, or lift more than 30 pounds. From the application and interview, the individual has no problem driving and has worked at his present job for two years, despite the accident that occurred three years ago. In addition, it is learned that the individual likes to hike and has continued this activity. As a result of all of these factors, it can be determined that the individual does not qualify under AbilityOne as severely disabled and not competitively employable.

3.15 - Annual Assessments

3.15.1 Assessments must be done on a yearly basis at a minimum, preferably in the context of reviewing an individual's "Individual Service Plan," or a worker's annual performance evaluation. It should not be assumed that the individual continues to be severely disabled and not competitively employable. The same basic process that was used for the initial evaluation needs to be repeated. In addition to all of the basic factors that have been thought through, two more need to be considered:

- a) Has the disabling condition moderated, so that the functional limitations no longer predominate?
- b) Have the worker's skills improved to the point where the disability is no longer relevant as a result?

3.15.2 The Committee's definition of severe disabilities [41 CFR 51-1.3(2)] states: *A person with a severe mental or physical impairment, who is able to engage in normal competitive employment, because the impairment has been overcome or the condition has been substantially corrected is not "severely disabled" within the meaning of the definition.*

3.15.3 Many disabilities can improve with time or medical intervention, and to review the current state of the individual's severe disability is a critical first step in the annual assessment. It is also possible that with the training and job skills learned that the individual has received during the past year, he or she may now be capable of competitive employment. It is therefore important that the annual

assessment indicates what has and has not changed from the previous assessment.

3.15.4 Individuals can move back and forth between being competitively employable and not competitively employable. There is nothing in the Committee's regulations that binds individuals to being competitively employable once they have been classified as such. For instance, an individual may move into a competitive employment position, experience an exacerbation of his or her medical or mental health symptoms that begin limiting them functionally, to the point, they are no longer able to maintain competitive employment. The key is to indicate what has changed through an evidenced based assessment process.

3.15.5 Finally, the regulations indicate that the competitive employability assessment needs to be performed at least once a year. In the past, some nonprofit agencies have done them semiannually or even quarterly. Nonprofit agencies should consider their other requirements and processes, and integrate the Committee's competitive employment requirement into them where possible. Nonprofits may also want to consider reevaluating certain workers on a more frequent basis. However, if specifying that a certain evaluation is for less than a year, the nonprofit must have a process in place to insure that the evaluation takes place on time.

3.16 - Examples of eligibility determinations

3.16.1 Nonprofits within the AbilityOne Program differ greatly, and each nonprofit must develop an evaluation process in order to maintain its qualifying status. What works well for one nonprofit may not work for another. The following examples demonstrate some of the variations and wide range of issues that must be considered when conducting initial or annual assessments. The first example demonstrates the general process of determining what accommodations might need to be made for an individual and could really be applied to almost any disability. The other examples are ones that the Committee has actually observed while reviewing nonprofits.

a) Example 1: Fibromyalgia Syndrome (FMS):

I) FMS is a condition with an elusive cause that, like other debilitating conditions, manifests on a broad spectrum with highly individualized symptoms. In its mildest form, it is not severely disabling, and does not compromise a person's employment. But, when symptoms are profound, the limitations caused can be quite significant, and the required accommodation needs might be beyond what would be provided in normal work settings. This distinction is critical for the AbilityOne Program, and thus FMS can be a good example for the considerations that have to be made for many severe disabilities. As stated before, an understanding of the extent of the disability (any disability) is fundamental

to being able to assess the functional limitations that are manifest by the disorder. Effective accommodations cannot be made unless the degree of impairment is known, and with a disorder as variable as FMS, it illustrates just how important this is.

II) Generally, FMS is a complex, chronic condition which causes widespread pain and fatigue in tendons, ligaments, muscles, and other soft tissue, as well as a variety of other symptoms. Pain can vary according to the time of day, weather, sleep patterns, and stress level. Individuals with FMS may also have a sleep disorder, irritable bladder, irritable bowel syndrome, chronic headaches, skin and temperature sensitivity, cognitive impairment, depression and anxiety.

III) How would a worker with FMS be accommodated? First, individuals with FMS may develop some of the limitations discussed below, in lesser or greater degree, although seldom develop all of them. Nonetheless, the degree of limitation will vary widely, and this will directly effect accommodation requirements. The following is only a sample of some of the possibilities, as numerous other accommodation solutions may exist. Some listed here are minor and might well be provided in normal employment settings, while others are not. Many depend on the extent of the modifications entailed. Also keep in mind that this is less about FMS than it is about making accommodations for the functional limitations of a disability, whatever it might be. Distinctions and quantifications are crucial to this process.

b) Essential questions to consider first:

I) What limitations is the employee with this disorder experiencing?

II) Are these limitations related to the disorder, or to some other disorder?

III) How and to what extent do these limitations affect or interfere with the employee's job performance?

IV) What specific job tasks are problematic as a result of these limitations?

V) What accommodations are available to reduce or eliminate these problems?

VI) Has the full range of resources been used to determine possible accommodations?

VII) Has the employee been consulted regarding possible accommodations?

VIII) Once in place, has the effectiveness of these accommodations been evaluated?

IX) Are additional accommodations needed?

X) Is training needed for supervisors and other employees, with regard to this specific disability and implemented accommodations?

- c) Accommodation Ideas regarding FMS:
 - I) Symptom: Concentration Issues:
 - I) Provide written job instructions whenever possible or feasible
 - II) Prioritize job assignments and provide more structure
 - III) Allow for flexible work hours and a self-paced workload
 - IV) Allow periodic rest periods to reorient
 - V) Provide memory aids, such as schedulers or organizers
 - VI) Minimize or remove distractions
 - VII) Identify and reduce job stressors
- d) Symptom: Depression and Anxiety:
 - I) Identify and reduce anxiety producers in the work environment
 - II) Provide concise to-do lists and explicit written instructions
 - III) Remind employee of important deadlines and performance requirements
 - IV) Allow time off for counseling
 - V) Provide clear expectations of responsibilities and consequences
 - VI) Provide sensitivity training to co-workers
 - VII) Allow additional breaks for stress management techniques
 - VIII) Allow telephone calls during work hours to doctors and others for support
 - IX) Identify antecedents and implement strategies for defusing untoward situations
 - X) Provide information on counseling and employee assistance programs
- e) Symptom: Fatigue/Weakness:
 - I) Reduce or eliminate the need for physical exertion in some measurable amount
 - II) Provide special light-weight equipment
 - III) Schedule regular periodic rest breaks away from the workstation
 - IV) Allow a flexible work schedule and use of leave time
 - V) Implement ergonomic workstation design
- f) Symptom: Fine Motor Impairment:
 - I) Implement tailored ergonomic workstation design
 - II) Provide alternative access to worksite equipment
 - III) Provide arm supports
 - IV) Provide grip aids and other related assists
- g) Symptom: Gross Motor Impairment:
 - I) Modify the work-site or its conditions to make it accessible
 - II) Provide parking close to the work-site
 - III) Provide transportation to the work site
 - IV) Provide an accessible entrance
 - V) Install automatic door openers

- VI) Provide an accessible restroom and break room
 - VII) Provide an accessible route of travel to other work areas
 - VIII) Revamp the workstation for maximum accessible
 - IX) Modify station height if wheelchair or scooter is used
 - X) Insure that essential materials and equipment are within reach
 - XI) Move workstation close to other work areas, equipment, and break rooms
- h) Symptom: Migraine Headaches:
- I) Provide tailored task lighting
 - II) Eliminate fluorescent lighting
 - III) Provide alternate work area to reduce visual and auditory distractions
 - IV) Implement a "fragrance-free" workplace policy
 - V) Provide air purification devices
 - VI) Eliminate pulsing lights or sounds
 - VII) Allow flexible work hours
 - VIII) Allow periodic rest breaks
 - IX) Reduce noise with sound absorbent baffles/partitions, environmental sound machines, and headsets
- i) Symptom: Skin Sensitivity:
- I) Avoid irritating agents and chemicals
 - II) Provide protective clothing
- j) Symptom: Sleep Disorder:
- I) Allow flexible work hours
 - II) Allow frequent breaks
- k) Symptom: Temperature Sensitivity:
- III) Modify work-site temperature: fan/air-conditioner or heater
 - IV) Redirect vents and maintain ventilation system
 - V) Allow flexible scheduling during extremely hot or cold weather
 - VI) Modify dress code
 - VII) Provide a work area with separate temperature control
- l) Symptom: Photosensitivity:
- I) Minimize outdoor activities between the peak hours of 10:00 am and 4:00 pm
 - II) Avoid reflective surfaces such as sand, snow, and concrete
 - III) Provide clothing to block UV rays
 - IV) Provide "waterproof" sun-protective agents such as sun blocks or sunscreens
 - V) Install low wattage overhead lights
 - VI) Provide task lighting
 - VII) Replace fluorescent lighting with full spectrum or natural lighting

- VIII) Eliminate blinking and flickering lights
- IX) Install adjustable window blinds and light filters

3.16.2 NOTE: When evaluating a worker's capability for normal competitive employment, it is essentially the extent of the accommodations that they require that will cause them to be not competitive. The quantification of these accommodations will go a long way in establishing just such an extent, i.e. that they are beyond that which is considered "reasonable accommodation." As an example of developing measurability, consider the first section of FMS above where it mentions symptoms pertaining to concentration:

- a) "Allow for flexible work hours and a self-pace workload." What actual hours are typically worked under this accommodation and in what manner are they flexible? Under a self-paced regimen, what costs are there to performance?
- b) "Allow periodic rest periods to reorient." How many is frequent, and how long are these breaks?
- c) "Minimize or remove distractions and or job stressors." What are they and how big of an undertaking was it to make such changes?

3.16.3 All of these examples of quantifying the accommodations serve the purpose of illustrating exactly how these accommodations are beyond that which would routinely be found in normal competitive employment. That they are required, underscores the judgment that the disability-related impairments that are being accommodated, are severe. Such documentation must be a fundamental part of the competitive employability evaluation program.

3.16.4 Lastly, when considering and quantifying accommodations, one typically thinks of procedures or things that are *actively* implemented: Providing specialized equipment, removing or minimizing problem items or areas, re-prioritizing workload and scheduling regular rest breaks etc. However, it is entirely within an agency's discretion, to make *passive* accommodations for a worker. In most cases it is to tolerate certain issues that are not usually tolerated in normal competitive employment: repeated emotional outbursts associated with a mental health condition, chronic difficult behaviors or expressed ideation, or marked absenteeism are but a few. Many nonprofit agencies choose to or find a way to "live with" such issues in the workplace. In doing so, they are essentially providing support for an environment that may be indispensable to a worker's success, and thus constitute an accommodation. Remember that passive accommodations are just as measurable as active ones. It goes without saying that absenteeism can be easily measured, but untoward behaviors can as well, particularly if frequency, duration and intensity are used to quantify such incidents.

a) Example 2: Learning Disability

I) A nonprofit agency employed an individual for several years whose disability was recorded as dyslexia at the time of hiring. During a proper annual evaluation, it was discovered that the employee was actually diagnosed in 1984 with Developmental Disorder, NOS (with significant discrepancy between below-average verbal capacities and average visual-spatial problem solving ability; as well as severe deficiencies in reading, written expression, and mathematics). He also had a historical diagnosis of Alcohol Dependency, in sustained full remission. Further review found that since 1984 he had spent three years on active duty in the Navy followed by extensive service in the Air National Guard and Reserves, and that he had been deployed overseas the year prior to this review.

II) Discussions with his lead supervisor revealed that he had no significant impairments in occupational functioning, and that he is an excellent worker who requires minimal supervision and instruction. In the supervisor's opinion, the employee did not demonstrate any behaviors, characteristics, or actions that would indicate he is severely disabled; nor did the supervisor provide any extraordinary accommodations.

III) Based on the supervisor's comments and the fact that he had served on active duty the previous year, the nonprofit concluded that he was competitively employable. Therefore, he no longer met the definition of severely disabled and not competitively employable.

b) Example 3: Amputee

I) Here are two cases of individuals with very similar amputations, but very different employability determinations.

II) In the first case, the individual was a 19-year-old who recently lost her right leg above the knee in a car accident. She had no prosthetic, and moved around using a wheelchair. Loss of a limb is a severe disability, but by itself that does not mean that individual is not competitively employable.

III) During the hiring process, the nonprofit agency found the woman to have extremely low self-esteem and some psychological issues, as result of the amputation. In addition, she had no previous work experience and did not present well in the job interview. Based on the interview and the psychological issues, the agency considered her not competitively employable and placed her as a mail room clerk on a small AbilityOne project.

IV) This was a reasonable initial assessment. However, this case also shows the need for annual reassessments. At the time of her first

annual assessment, the nonprofit agency was so pleased with her performance that they no longer considered her to be not competitively employable, and promoted her to become the supervisor of the project. Accordingly, this is a good example of the individual overcoming her impairment.

V) In the second case, a nonprofit agency received a referral from a State VR agency for an individual whose leg had been amputated above the knee a number of years ago. The VR referral also stated that the individual was not competitively employable because he was a convicted felon and no one else would hire him. The individual had previously worked at the nonprofit agency until he was jailed for violating probation, and during that time, did not require any special accommodations or supports.

VI) While the VR counselor may consider the individual to be not competitively employable, this individual does not meet the Committee's definition of severely disabled and not competitively employable. While there can be considerations other than the disability involved with making the determination that the individual is not competitively employable, the core reasoning for the decision must be based on the individual's disability. In this case, the individual's disability is not a factor, as the nonprofit agency did not have to provide any supports to sustain his employment. The sole reason for considering the individual not competitively employable is that he is a convicted felon, just getting out of jail.

c) Example 4: Highly Productive Worker

I) As noted earlier, an individual that is highly productive on a job is not necessarily competitively employable. Here are two examples of cases where the nonprofit agency found individuals whose productivity were more than 100 percent to be unable to engage in normal competitive employment.

II) In the first case the individual's disability is mental retardation, and his job involves cutting fabric. From a performance standpoint, he can run the cutting table faster than anyone at the nonprofit agency, whether severely disabled or not. However, he has a history of behavioral outbursts, and is unpredictable as to whether or not he will show up for work. These behaviors are not indicative of someone who can engage in normal competitive employment, and are in part secondary to his intellectual, social, emotional, and cognitive deficits sustained from his mental retardation.

III) The second individual is also mentally retarded, and works as a groundskeeper mowing and trimming grass. His productivity on the job is at about 120%. He likes his job, and unlike the first case has no behavioral or attendance issues.

IV) Unfortunately, he requires close supervision since he has no concept of pacing himself or how to remain hydrated in hot weather. In addition, he will work until no more work is visible and will stop and wait for directions, or will simply continue working in areas that were already finished, or where the agency is not responsible. Just these behaviors alone demonstrate deficits in self-care and self-direction. He may also have deficits in communication, written or verbal that can also be evidenced to support a determination of severe disability in accordance with Committee standards.

d) Example 5: Return to "Not Competitively Employable" Status

I) An individual can move back and forth between being competitively employable and not competitively employable. If a nonprofit agency considers an individual to be competitively employable, it does not mean that he or she cannot be reconsidered at a future date, if changes occur to the individual's disability status.

II) In this case an individual has mild mental retardation and worked as a mess attendant on an AbilityOne food service contract. After working successfully for some time, the agency determined that he was competitively employable. They placed him with a local hotel busing tables and washing dishes. Initially very pleased with his performance, the hotel gave him a raise, increased his hours and began providing benefits. At this point, he became over-resourced and lost his SSI benefits. His mother objected to this loss and harassed him to the point that the stress affected his performance, and the hotel eventually fired him. As a result, the nonprofit agency rehired the individual, and determined him to be not competitively employable until he is once again working at an acceptable level because there was a direct correlation between his impairment (mental retardation) creating functional limitation that were to the point he was unable to maintain normal competitive employment.

e) Example 6: Substance Abuse

I) Five individuals were referred to a nonprofit agency for employment as part of a court-ordered substance abuse rehabilitation program. This program included a requirement that they live in a half-way house. As all five had experience with seasonal grounds keeping, the nonprofit agency placed them on one of its grounds maintenance

transcriptionist. The commercial contractor hired and trained the individual, but even after an extensive period of time, she continued to fall short of the company's minimum performance standards for transcription rates and work hours. As a result, the commercial firm was considering termination. In this case, the nonprofit agency was able to document her disabilities and provide her with another position. The nonprofit agency also documented that although she had been previously competitively employed, her low work tolerance made her unable to sustain competitive employment.

IV) It is important to note that when an employee of a previous commercial contractor is determined to be not competitively employable, the nonprofit agency must be extremely careful to document the reasoning for the determination adequately. In such cases, the previous contractor must have been providing accommodations or supports that would be considered beyond *reasonable*. Such accommodations would not typically be found in normal competitive job situations.

3.17 - Discussion of Disabilities Prevalent Among AbilityOne Employees

Although mental retardation and significant mental illness predominate as the majority of severe disabilities in the AbilityOne Program, demographics reveal a number of Program participants with other disabilities. Although psychological, physical and medical conditions are dissimilar, they require the same kind of assessment in terms of understanding the degree of impairment, and exercise of informed judgment in determining non-competitive employability. In this section, several disabilities are offered as examples. In each, common problems are noted as a method of analyzing whether the condition is a severe disability or not. All of the disabilities discussed can be considered as a severe disability in terms of the AbilityOne definition and in no case should it be construed that any one should be favored over another or that it is less legitimate.

3.18 - Learning Disability - General

3.18.1 Learning disabilities come in a variety of forms, most occurring in three major categories: reading, mathematics, and written expression, usually seen as barriers to academic learning. Others may be characterized as a broad or pervasive intellectual deficit, but above that of mental retardation.

3.18.2 *Broadly speaking, the majority of learning disabled individuals in our society are competitively employed. This is because so many of those who have been deemed LD, are still within the normal range of intellectual functioning. If an individual's IQ score is in the mid to low seventies however, there exists a set of*

impairments when taken together, would reasonably cause an individual to be not competitively employable.

3.19 - Mental Illness

3.19.1 There is wide variability in the impact of mental illness on individuals, particularly in a job setting. Some disorders in their milder forms are hardly noticeable, while persons with severe and persistent mental illness can experience functional marked limitations in self-care, self-direction, work skills, work tolerance, and communication. Hygiene issues, impulse control, low tolerance for stress, difficulty with perception, thinking and the expression of thoughts all may cause diminished capacity and functional limitations. Whatever the specific disorder, an agency must consider what symptoms and behavior typical of this disorder are being manifest in the workplace, and how they are being accommodated in order for the person to be successful.

3.19.2 Mental Illness disorders fall on two axes of the DSM-IV. Most are on axis I, but personality disorders are on axis II.

a) DSM-IV Axis I (clinical syndromes)

I) Diagnoses that produce psychotic symptoms, such as: schizophrenia, bipolar disorders, Schizoaffective and Schizophreniform Disorders are significant mental illness disorders, and tend to be seen as “severe” disabilities. Even when responsive to treatment, they invariably remain pervasively disabling. As a class, such individuals are consistent with 41 CFR 51-1.3, with the extent understood within the diagnosis. However, the operative point for the AbilityOne program, is the direct need for substantial job supports in order to determine an individual to be not capable of normal competitive employment. In such disorders, these might include accommodations like, frequent rest breaks, quiet work areas, flexible schedules, assistance with medication, reminders for proper hygiene, additional training for staff, and a supportive work environment.

II) When considering Affective or Mood Disorders: major depressive disorder, Bipolar I and II, Cyclothymic and Dysthymic disorders, which in their common manifestations are broadly disabling, they are quite often determined to be severe disabilities. This is not due to anything inherent or presumptive. Rather it is as a result of their symptoms being severe enough to bring about a loss of competitiveness in employment. And as in all other *severe disabilities*, such symptoms must be significantly accommodated by the agency for these workers to be successful.

III) Diagnoses of simple Depression or Anxiety (Generalized, Panic, Social, Phobias, Obsessive-Compulsive and Post Traumatic Stress Disorder (PTSD)) are much less straightforward, because they fall on a broad continuum. At the most severe end, their manifestations might be characterized by a cataleptic state and hospitalization. However in their mildest forms, most who experience such disorders, are able to maintain competitive employment, given *reasonable* if any accommodations.

IV) All such disorders produce symptoms (behavioral manifestations) that vary widely in their intensity, which bear directly on their need for, and the ways and manner of their accommodations. Determining, establishing and documenting this information in the initial competitive employment evaluation can go a long way in determining the *extent* of these disorders, as well as justifying a determination of non-competitive employability. See the previous accommodations section, active and passive accommodations.

V) The effectiveness of medications on mental health disorders is highly relevant. On occasion, the only measure of a worker's depression, anxiety or other mental health disorder, is a notation of prescribed medication. However, to be considered severely disabled, there must be documentation of symptoms (measurable mental illness-related behaviors), beyond that which the medication has controlled. Absenteeism is quite germane to people who have such disorders, but it must be recorded and be at a level well beyond that which is commonly allowed in normal competitive employment.

VI) In documenting a competitive employment evaluation, one should always endeavor to see diagnoses in terms of disablement, i.e. observable measurable impairments. As such, affective or mood disorders will typically include:

- **Clinical symptoms** such as depressed mood and feelings of worthlessness or guilt, apprehension fear, or even terror.
- **Behavioral symptoms** might include social withdrawal or agitation.
- **Cognitive symptoms**, or problems in thinking; includes difficulty with concentration or making decisions.
- **Somatic or physical symptoms** can include insomnia, hypersomnia, migraines, loss or gain of weight, and gastroenterological problems.

b) In order to determine the extent to which the condition is disabling, one should consider:

- I) • What impairments result from this condition?

- II) • To what extent does the condition limit the individual? (Any description in the psychological evaluation that describes **frequency**, **duration** and **intensity** of episodes can be critical indicators.)
- III) • What aspect of this worker's disability is limiting his or her productivity, and to what degree?
- IV) • What accommodations or supports are required as a result?
- V) • What difficult behaviors are being tolerated, and to what extent?
- VI) An understanding of these issues is essential in both verifying the severity of the worker's disability, and its capacity to bring about a loss of competitive employability. But they are equally important to the nonprofit agency, in order to better support and maximize the worker's productivity.
- VII) Many other axis I mental disorders exist, with some being inherently severe, while others may or may not be, depending on the specific situation. Cognitive Disorders, Somatoform Disorders, Dissociative Disorders and Impulse-Control Disorders are often severe enough to bring about a loss of competitive employability. However, there are no substitutes for definitive medical documentation that is consistent with a solid competitive employment evaluation. As an adjunct to this, the individual's work history should in most cases be consulted. Although not singularly determinative, it is a relevant factor in ascertaining the past impact the individual's disorder has had on their overall employability.

3.19.3 DSM-IV Axis II (Personality Disorders)

b) Paranoid, Schizoid, Schizo-typal, Anti-social, Borderline, Histrionic, Narcissistic, Avoidant, Dependant, Obsessive-Compulsive and Personality Disorder NOS comprise the 11 types of personality disorders. They fall on Axis II as they are considered developmental, but many of the symptoms and behaviors they exhibit, overlap Axis I disorders. Personality disorders typically produce significant levels of mental illness: transient or occasional psychosis, dissociative or bizarre ideation, general thought disorder and untoward social interactions. As a result, such diagnoses are often determined to be *severe disabilities*. However they are not presumptively so, but rather are so determined, because of their marked adverse effect on normal competitive employment.

c) Although there is more variability in the severity of personality disorders than Schizophrenia for example, they do not adhere to the mild-severe continuum previously mentioned. There is severity variation between the different personality disorders, some being perceptual, some situationally based, while some could be a function of differences between diagnosing clinicians. Nonetheless, properly diagnosed, a person either has

a personality disorder, or does not. Milder or less marked related symptoms will typically be described as such by the clinician.

d) It's important to remember that it is common for individuals with personality disorders to have found competitive work in the past. But given the serious nature and pervasiveness of such disorders, their work histories will usually show that they have been conspicuously unsuccessful in maintaining such work over time.

3.20 - Physical Disabilities

Below are several prevalent physical conditions, presented here because they are common in the AbilityOne program and require assessments of ***extent and degree of impairment***, in order to understand the functional limitations. If *severity* is to be ascertained, a measure of how it impacts a person's ability to find and maintain work must be established.

3.20.1 Amputation

a) An amputation is most often the result of an injury or a disease. There might also be adverse synergy between the amputation and other physical or psychological conditions. If present, these additional disabling conditions must be separately diagnosed and documented.

b) Loss of a hand would most likely be considered a severe disability and result in functional limitations in work skills, work tolerance and mobility, particularly if a dominant hand has been lost and the person is only capable of manual work. However, the loss of a finger or fingers might not cause functional limitations depending on the person's career goals or past work history.

c) The relevance of the amputation must also be considered; from loss of an arm above the elbow, or below; to loss of a hand, loss of fingers, partial loss of fingers or the loss of a single finger. The inherent adaptability or lack of it in each individual is very relevant in an evaluation, and past work history can be helpful.

d) Whether the loss of a limb, or part of one, is considered severe depends on the extent of functional impairment. As with other disabling conditions, there can be a range of severity and impairment. A well-functioning prosthetic can reduce the limiting impairment to a nearly unnoticeable level. As a result, a slight residual limp would not be considered a severe disability, but an inability to stand and walk around for most of a shift that requires such activities (such as a janitorial job), may result in a person losing his or her competitive employability. An overall loss of productivity may occur as a result of the individual working around his or

her limitation, e.g., inefficiencies in stooping, bending and kneeling; lessened ability to push and pull equipment and/or a general reduction in speed. All such limits need to be understood in terms of the person's ability to work competitively with or without reasonable accommodations.

e) Nonprofit agencies need to consider the whole person in such a determination, and how related factors, in the aggregate, affect competitive employability. Fundamental to the competitive evaluation are considerations such as:

- I) What residual disabling effects are direct results of the amputation?
- II) Was the individual referred to the nonprofit agency at the end of his or her post amputation rehabilitation?
- III) Has the individual worked competitively subsequent to the amputation?
- IV) What accommodations must be provided in relation to the worker's amputation?

3.20.2 Arthritis

a. Arthritis is frequently presented in the medical documentation with only vague descriptions of its disabling effects, or sometimes none at all. At one end of a continuum, arthritis can generate occasional, mild pain in one or more joints. However, at the extreme other end, severe arthritis, and certainly rheumatoid arthritis, can lead to near total incapacity.

b. As always the answers begin with a definitive diagnosis, such as osteoarthritis, osteoporosis, etc. –and the part or parts of the body affected. Generally arthritis presents as a physical impairment which is the results of a disease or injury. In order to gauge severity, it is necessary to understand where the individual falls in terms of creating functional limitations. Severe arthritis can cause limitations in work tolerance, mobility and work skills.

c. Persons with severe arthritis may have difficulty walking, bending, reaching, sitting for long periods of time or even using fine finger dexterity skills when the arthritis is in their hands. Pain control may also be an issue and interfere with competitive employability. Given such wide variability in this disease, it is essential that the fullest extent of its disabling effects and its impact on employability be documented.

d. The following questions may be helpful in determining how the individual is affected :

- I) To what extent is walking affected?
- II) What are the specific restrictions to walking, standing or stooping?

- III) If there is arthritis in the spine or shoulders, how does this affect the person's ability to stand for long periods of time or to reach frequently?
- IV) Is quantified pain constant or episodic; if the latter, how long do typical episodes last?
- V) How intense is the pain associated with the arthritis, is it so intense that it results in loss of work time?
- VI) Which medications are being taken and how effective are they in ameliorating the symptoms?

3.20.3 Deafness

Although the measurement or threshold for blindness has long been codified in law (legal blindness), there is no such legal definition for deafness. The medical documentation of many individuals specifies only "hearing impairment" or "hearing impaired," both of which indicates that there is a loss of hearing of some unknown degree. Vague references in the documentation such as "hearing loss" would not be sufficient to document a disability. As a guide, consider the portion of the Helen Keller National Center Act definition of deaf-blind that deals with deafness:

"...who has a chronic hearing impairment so severe that most speech cannot be understood with optimum amplification, or a progressive hearing loss having a prognosis leading to this condition?"

- a) Deafness is a physical impairment or a residual limiting condition that can be the result of an injury, disease or birth defect. An audiogram is the appropriate diagnostic tool. Audiograms can be difficult to interpret without specialized knowledge, but familiarization with them can aid in justifying a determination of disability, as well as helping determine the most appropriate accommodation.
- b) Generally speaking, any individual who is deaf enough that he or she cannot hear the spoken word with best correction should be considered severely disabled. If the hearing loss is to the degree that it has caused significant speech impairment, this would be a relevant and additive (or possibly determinative) indicator of severity. However, if a person can hear, with or without the use of hearing aids, and can communicate adequately, the functional impairment caused by the deficit would be diminished or non-existent. Persons with severe hearing loss may have functional limitations in communication.
- c) Persons with severe hearing loss or complete deafness may also have difficulty communicating with co-workers, performing tasks that require listening skills and may need to be accommodated through written instructions, visual or physical cues, sign language interpreters and job carving.

3.20.4 Diabetes

- a) This is first a medical condition, not necessarily a de facto severe disability. However, in severe cases, it can produce a number of highly debilitating symptoms, including blindness, impairments to cardiac functioning, vascular degeneration, and neuropathy in the extremities (particularly legs and feet). Organ problems such as those of the Kidneys are also commonly associated with advanced Diabetes. However, all such debilitating issues and their degree of impairment need to be specified.
- b) If not documented, disabling factors cannot be presumed to exist. In any given case of diabetes, they may or may not exist, or if they do may be manifest in wide-ranging levels of impairment.
- c) Severe diabetes could cause functional limitations in work tolerance and possibly mobility and self-care. Persons with severe Diabetes may need flexible work schedules, assistance with medication, frequent rest breaks, job carving and monitoring of the work environment.

3.20.5 Epilepsy and Seizure Disorders

- a) Epilepsy is not a distinct disease, but rather a group of disorders for which recurrent unprovoked seizures are the main symptom. Such seizures are brought about by abnormal electrical discharges from brain cells, often in the cerebral cortex, either secondary to a particular brain abnormality, or of unknown etiology.
- b) There are several types of seizures, and for the purposes of the AbilityOne Program, it is their effect on an individual's employability that is critical. It is necessary to characterize such seizures by their effects and whether significant job accommodations are required for issues related to the seizure disorder. Unless otherwise indicated, tonic-clonic seizures (sometimes referred to as grand mal seizures) are the type which reliably causes a loss of competitive employability. Other types of seizures with less severe manifestations and less frequent occurrences have the potential for causing non-competitive employability, but they cannot routinely be presumed to do so.
- c) A number of anticonvulsant medications are effective in controlling seizures, from complete elimination to reduced frequency. If seizures are fully controlled by medication and the individual is functioning within the normal cognitive range, then the individual should be considered competitively employable. However, if a worker has a seizure disorder and has been seizure free for an extended period of time, but is still felt to be not competitively employable due to the effects of the medication that is being used, it must be documented.

d) A marked and measurable decline in cognitive function is known to correlate with many cases of epilepsy (although the extent to which this is attributable to the epilepsy has not been definitively determined, nor the drugs used to treat it). However, if a cognitive deficit is present, it should not necessarily be seen as an inherent symptom of epilepsy, and should be a separate Axis II diagnosis.

3.20.6 Hypertension

a) High blood pressure may or may not have inherent physically disabling factors. It may exist independently in varying measurable degrees of severity, or it may be a symptom of a more serious cardiovascular condition, with still other parallel symptoms being present. All symptoms present should be documented, with an indication of the degree of any resulting physical limitation and/or impairment.

b) Many individuals who have mild to moderate high blood pressure that is responding to medication will incur few if any debilitating effects. Accordingly, the disability documentation should specify how the person is responding to treatment, or what physical restrictions continue to exist in spite of such treatment.

c) The nonprofit should also address what major job accommodations are being provided for impairments directly related to the hypertension. Flexible work schedules, reduced work loads, light duty work or job carving are all accommodations that might be appropriate.

3.20.7 Obesity

a) In assessing whether or not obesity is a severe disability, the term "morbid obesity" should be used as a benchmark. At this level, physical restrictions become so significant as to compromise employability in an overwhelming majority of cases, where obesity alone would not. Morbid obesity refers to individuals who have a body mass index (BMI) value of 40 or more. Alternative measurements that begin much lower, such as 50% above or 100 lbs. above "ideal body weight," may be medically relevant, but generally do not cause enough impairment of functioning to presume a severe disability.

b) It is important to note that a number of medical conditions are highly correlated with morbid obesity: diabetes, hypertension, heart disease, stroke, depression, osteoarthritis, hypoxemia and certain psychological disorders. Each of these conditions should be documented when present, with the extent of debilitating effects noted.

c) Persons with morbid obesity may have functional limitations in self-care, work skills, work tolerance and mobility. The non-profit agency will need to evidence the significance of the disabling condition in terms of employability. A person with morbid obesity may need job carving, more frequent rest breaks, assistance with self-care, assistance with mobility, reduced work schedules or accommodated work stations.

3.20.8 Alcohol, Drug Addiction, and Other Substance Abuse

a) Prior to 1992, the Committee did not accept alcohol or drug addiction as a severe disability under the AbilityOne Program. In September 1992, the Committee reviewed this decision, and found that "...the legislative history is silent on this subject... The Committee has no legal basis for excluding from eligibility for AbilityOne benefits recovering alcoholics and drug abusers who meet the employment criterion." Accordingly, the Committee decided to permit recovering alcoholics and drug abusers (with appropriate documentation of their disorders) to be counted as severely disabled, if they meet the noncompetitive employability criterion.

b) However, the Committee noted that "based on the same legislative history, operating history, and Congressional and Executive Branch hearings and correspondence, it seems eminently reasonable to conclude that individuals with these disabilities were not intended to be the primary--or even a substantial portion of the--target population of the AbilityOne Program. As a result, the Committee also has a responsibility to guard against a significant shift toward using the AbilityOne Program to serve recovering alcoholics and drug abusers ... who meet the employment criterion."

c) Any discussion of this disability must begin with some important distinctions. They are detailed and described in DSM-IV.

d) Substance abuse refers to the overindulgence in a psychoactive, leading to effects that are detrimental to the individual's physical or mental health, or the welfare of others. Such a disorder is characterized by a pattern of continued pathological use of a medication, non-medically indicated drug or toxin, that results in repeated adverse social consequences related to its use, such as failure to meet work, family, or school obligations, interpersonal conflicts, or legal problems.

e) Most current practice distinguishes substance abuse from substance dependency. Substance abuse is defined in terms of the social consequences resulting from the willful conduct of abusing such substances, while substance dependency is seen in terms of physiological and behavioral symptoms.

f) Prolonged or frequent substance abuse often leads to substance dependency or addiction. Medically, physiologic dependence requires the development of tolerance leading to withdrawal symptoms. Both abuse and dependence are distinct from addiction which involves a compulsion to continue using the substance despite the negative consequences, and may or may not involve chemical dependency. Dependence involves physiological processes while substance abuse reflects a complex interaction between the individual, the abused substance and society. Dependence almost always implies abuse, but abuse frequently occurs without dependence, particularly when an individual first begins to abuse a substance.

g) Substance abuse is sometimes used as a synonym for drug abuse, drug addiction, and chemical dependency, but as noted above it actually refers to the use of substances in a manner outside socio-cultural conventions. All use of illicit drugs and all use of licit drugs in a manner not dictated by convention (e.g. according to physician's orders or societal norms) constitutes abuse. However, as abuse can vary according to frequency, amount and length of episodes, there is no universally accepted definition of substance abuse.

h) As a result, one can ascertain a general gradation of severity from substance abuse, to dependence, to addiction, to chemical dependency. For AbilityOne purposes, diagnoses should be specific as to the seriousness or depth of the problem, just as is necessary for other disabilities that are distributed along a continuum, from mild to severe.

i) Additional complicating factors may persist in any given individual's case, but they should not be considered self-evident or inherent features of addiction or dependency, common as they may be. Chemically-induced mental disorders may also be present, causing a variety of symptoms that are characteristic of other mental disorders. When existing, these disorders will have an adverse effect on employability, but as they are neither inherent nor self-evident, they require a differential diagnosis. All issues of a psychiatric or psychological nature must be documented in order to support a determination of continued non-competitive employability.

j) If substance abuse is characterized in terms of its social consequences, i.e. primarily negative effects outside the physical body of the person involved, its consideration as a severe disability must be seriously questioned since its debilitating effects must be something more than willful conduct.

k) References in the medical records to unquantified "usage" in some vague past timeframe is inadequate, because it may have little or no bearing on the person's present employability. Terms, such as "former substance abuser," are problematic because they provide no context as to when drugs were used, what types of drugs were used, for how long a period and to the extent of their dependence. In the absence of these specific facts, it is

difficult to justify the counting of an able-bodied individual, who is not otherwise cognitively impaired, as a severely disabled worker. The mere notation of a person having a substance abuse history is not a self-evident cause for considering the individual to be severely disabled and thus not competitively employable.

l) On the other hand, The Committee has stated that individuals recovering from properly diagnosed drug addiction and alcoholism are eligible to participate in the AbilityOne Program. The Committee however, does not accept the idea that an individual is recovering forever, and will always be considered not competitively employable. The Committee presumes that after a period of time and rehabilitative effort, these individuals will become competitively employable, unless documented with clinical interventions that would indicate otherwise.

m) The AbilityOne Program mandates that an annual evaluation for competitive employment must be conducted. For persons recovering from chemical dependency relating to alcohol and drugs, it must be determined when the person is relatively recidivism resistant, mentally competent and physically able to engage in normal competitive employment. If not, and the period is to be extended, it must be justified on the worker's addiction-related problems that have been resistive to rehabilitative efforts and continue to require significant supports and accommodations.

n) The commonly applied adjective "recovering" is not an operative justification, given the standard implication that recovery is perpetual. Recovery is not actually perpetual, but rather the continuing and persistent need for abstinence and sobriety which is. By extension, this also does not mean that lifelong rehabilitation is needed, whereby competitive employment has been indefinitely compromised. The area of alcohol and drug rehabilitation differs from the rest of the rehabilitation world in one important sense. Individuals with other permanent physical and mental disorders may develop skills which allow them to overcome their functional limitations. However, the actual limitations usually remain unchanged. In the case of substance addiction, many individuals have the potential for their functional limitations to be eliminated and not just overcome. Since any given individual's capacity to achieve a positive rehabilitation outcome has many variables their assessment for AbilityOne purposes depends entirely on the adequacy of the annual competitive employment evaluation and in many cases of the adequacy of the medical documentation of other mental and physical disabilities beyond the substance addiction.

3.20.9 Multiple - Disabilities of a Less Than Severe Nature

a) Quite often, individuals have two or more diagnosed conditions, which taken individually would not constitute severe disabilities. However, if the

total impairment to the individual is sufficient to reasonably cause a loss of functional capabilities, then a determination of severely disabled may well be appropriate. As with all the disabilities mentioned, a sound determination is always a function of how well the degree of impairment can be ascertained and documented. The more adequate the medical documentation and the workplace evaluations, the easier it is to make the justification.

b) Many medical records are the result of treatment interventions, and the, diagnoses and prescribed treatments are typically the only indications specified. The existence of disabling effects may be missing from the records. To meet AbilityOne Program requirements, most medical conditions need to be seen in both qualitative and quantitative terms, in order to measure the severity of the disability. If the severity cannot be completely determined from the medical documentation present, the competitive employment evaluation must show the extraordinary accommodations that are being provided in order to make the person successful. Lacking this, the individual cannot be counted toward the agency's severely disabled ratio.

c) For example, if a person's record indicates that he or she has some arthritis in the knees, and diabetes requiring insulin injections, it is not possible to establish the degree to which these conditions are present and disabling. However, a detailed work assessment can contribute substantially to the determination, as the individual's ability or inability to stand and walk about through the workday is pertinent. Examining the individual's ancillary medical issues related to diabetes can also offer some insights into the incremental adverse impact on competitive employability. Heart insufficiency, obesity, renal issues, etc., can all impact a person's ability to hold a competitive job, by causing the person to have frequent absences. The actual limitations caused by these conditions must be documented, as does each of the various accommodating remedies provided, in order to support the severely disabled determination.

d) The framers of the AbilityOne Program undoubtedly considered absenteeism, stamina and work tolerance directly related to the full range of disabilities when creating a metric of direct labor hours versus simply jobs. Nonprofit agencies participating in the AbilityOne Program routinely accommodate significantly higher levels of "lost work" than the competitive workplace.

e) **Attention Deficit Disorder and Dyslexia** are examples of conditions that when taken by themselves, are not severe enough to be considered a severe disability. However, when existing in conjunction with other less than severe conditions, the synergy may be enough. The extent of the collective impairments and accommodations needed, will determine this.

f) When considering attention deficit disorder, the degree of impact on the individual is critical. If hyperactivity is present (ADHD), a measure of how much of it there is must be evident in order to understand its level of disability. As many individuals with ADD or ADHD diagnoses have quite high intelligence scores, documentation must show the extraordinary disability-related accommodations that are required. In the case of ADDH in adulthood, chronic inattention and Disruptive Behavior characterized by intractable hyperactivity and impulsivity are that which must be accommodated.

g) Dyslexia is a brain-based type of learning disability that specifically impairs a person's ability to read. Those who experience it can read, albeit with varying degrees of difficulty. It is termed a disability because it has a disabling effect on learning due to its symptoms of visual or cognitive misperception and processing of written material. However, it is minor in the context of global life functioning. And like ADD, many persons of high intelligence and achievement have this disorder. So even with marked cases of dyslexia, it remains an impediment to reading, which by itself is insufficient to result in someone being considered severely disabled and incapable of finding and maintaining normal competitive employment. Nonetheless, its debilitating effects may be additive to other disabilities that in aggregate, might cause the person to be not competitively employable.

3.20.10 Low Vision

Legal blindness is well defined. However, there are many people with varying degrees of low vision or visual impairments that while not blind, do incur some degree of disability. Such individuals must be evaluated in the same way as any other individual with a disability, focusing on the extent of functional limitation brought about by the loss of vision on hand. The extent of how much they approximate legal blindness is highly relevant. It is also important to remember that the definition considers the vision of the individual in his or her best eye, when corrected. An individual with no vision in one eye and adequate vision in the other eye (that being the only impairment) is not normally considered to have functional limitations, to the extent that he or she is not competitively employable. Such a person may still be evaluated as non-competitive, but this would require them to have other disabling conditions, where in the aggregate, their overall level of functioning is sufficiently impaired to justify that determination.

Chapter 4- Placement and Promotions

4.1 - Placements

4.1.1 Committee regulations (41 CFR 51-4.3(b)(8)) states that nonprofit agencies participating in the AbilityOne Program must:

Maintain an ongoing placement program operated by or for the nonprofit agency to include liaison with appropriate community services such as the State employment service, employer groups and others. Those individuals determined capable and desirous of normal competitive employment shall be assisted in obtaining such employment.

- a)** If the agency has an agreement with another agency for placement services, this agreement must be supported in writing as evidence of a placement program.
- b)** Placements usually refer to individuals who through agency rehabilitative and job placement efforts the agency has placed the person into a position in the community, normally an establishment engaged in commercial enterprise. The Committee has traditionally been concerned with those individuals who through agency rehabilitative efforts, can no longer be considered to be not competitively employable and the agency has through job development and assistance, placed the person in a competitive unsupported position in the community.
- c)** However, the Committee is also aware that some nonprofit agencies only utilize the supported placement model in placing individuals from the nonprofit agency and will say that they have not placed anyone into competitive jobs. As a result, it may be necessary to discuss supported placements as well as competitive placements to gather a complete picture of the nonprofit agency's placement program.
- d)** In addition, some agencies have broader placement missions. As such, some provide training and direct placement services to individuals who have not participated in the AbilityOne program. These individuals may or may not have disabilities, but agency staff should be able to make these important distinctions so placements are tracked in the correct categories.
- e)** During the compliance visit, reviewers should inquire as to how the agency deals with placement issues, and what placements have been made during the past year. The reviewer should also insure that agency staff understands that multiple definitions exist in the

rehabilitation field, with regard to competitive placements and supported employment, and that for AbilityOne purposes, the Committee's definitions of competitive and supported placements is the operative one.

4.1.2 Promotions

Committee regulations (41 CFR 51-4.3(b)(2)) states that nonprofit agencies participating in the AbilityOne Program must:

Comply with the applicable compensation, employment, and occupational health and safety standards prescribed by the Secretary of Labor, including procedures to encourage filling of vacancies within the nonprofit agency by promotion of qualified employees who are blind or have other severe disabilities.

a) The Committee is concerned that nonprofit agencies can not only demonstrate that affirmative action laws are followed, but that people who are blind or severely disabled are included. As a result, the Committee wants to collect information involving individuals who are blind or severely disabled promoted within the nonprofit agency to a higher paying job or to supervisory or management positions.

b) The Committee is interested in distinguishing between workers Promoted into new jobs requiring supervisory, management or technical skills that include increased wages and/or benefits and jobs other than supervisory or management positions, which still include increased wages and/or benefits. Job changes that involve only cost of living raises or productivity increases are not considered promotions.

Chapter 5 – Department of Labor Requirements

To be published

Chapter 6 – Data Collection

This section of the review is to gather data on other portions of the nonprofit. The information should be obtained from the CEO or CFO, as queries of other personnel may not produce the most accurate of answers.

6.1.1 Articles of Incorporation and By-laws

- a) The Committee requires that it have the current version of all nonprofit articles of incorporation and by-laws to insure that the nonprofits still meet the Committee's requirements for their participation in the Program. The annual certification (403 or 404) completed by each nonprofit also asks for this information and the Committee receives updates each year from many agencies.
- b) Prior to going on an agency visit, reviewers should check the agency file to insure not only that they are present, but to record their effective dates. If there have been changes, copies of the changes should be obtained and brought back to the Committee for legal counsel review.
- c) Confirming the most recent dates of these documents will help insure that the Committee has the most recent copies. The difference between fiscal year and calendar year can cause some people to ignore changes that occurred in the first quarter of the fiscal year since they occurred in the last calendar year.
- d) This topic may in some cases also be an opportune time to discuss the Committee's requirement that the net income of the nonprofit does not inure in whole or in part to the benefit of any shareholder or other individual and the need for the by-laws to be clear on this issue.

6.1.2 Nonprofit Scope of Business

- a) Most nonprofits that participate in the AbilityOne Program do more than just work on AbilityOne projects. This is an opportunity to learn more about what the nonprofit does and not just commercial products and services. It also gives the Committee an opportunity to find out about the services that the nonprofit provides to its community. Some of the more common areas that nonprofits are involved with include: transportation services, preschool, residential services, daily living skills, job clubs, low vision labs, mobility training, computer skills.

Chapter 7 – Interviews and executive director/board exit briefing

During a compliance visit to a nonprofit agency, a reviewer will have occasion to conduct certain information-sharing interviews with various individuals. Some may be optional, such as with workers whose documentation may be contradictory in some way, or mandatory, such as the exit brief with the executive director. In either case, such discussions serve very different purposes and the following offers some issues for reviewers to keep in mind.

7.1.1 Interviews with workers

a) In the course of conducting a tour of a facility, a reviewer should have an opportunity to meet direct labor workers who are among those counted as blind or severely disabled. Such meetings can range from an exchange of pleasantries on the shop floor (remembering that many may be producing piece-rate items wherein time is money), to private interviews, wherein a request is made to agency staff for a short five to ten minute interview. This may be necessary to confirm or clarify some anomalous information in their medical documentation.

b) In the former, there will be time for only a couple of satisfaction-related questions: How long have you worked here? Have you been on this same job that whole time? What do you like most about this job? What do you know about the AbilityOne program?

c) A private interview with an AbilityOne employee may likely have a single motive, one related to disability and accommodation issues; however the format should be flexible and done in a way that does not greatly interrupt agency operations or make agency employees uncomfortable. A slight expansion of the above questions may be useful in this. However whatever its specific purpose, such an interview should always begin with an explanation of who the reviewer is, why he or she is visiting the agency, and why this worker is being interviewed. As part of this, information should be gathered on program satisfaction, as it affects a person directly benefiting from an AbilityOne contract. The Committee's appreciation for their work should be communicated.

7.1.2 Exit Brief with the executive director

a) A final meeting with the executive director serves several purposes. As the purpose and areas to be reviewed would have been discussed in the in-brief (and with information sent prior to the visit), the findings should be the initial area for discussion. Such findings normally concern shortcomings that were noted during the review, and

will be noted in their respective areas on the Compliance Review Form.

b) Exit briefs should avoid taking on an adversarial tone. Problem areas uncovered during the review must be presented in as objective and non-contentious a manner as possible. A reviewer must remember that the goal is to aid in whatever way possible, the agency getting back into compliance. In doing so, not only will the legal and regulatory rules be satisfied, but in most cases it will increase the number of severely disabled who will be employed, the ultimate mission of the AbilityOne program.

7.1.3 Corrective measures and due dates

a) Although some minor compliance problems can be corrected during the review, most will require a certain period of time for correction to be implemented. In the majority of cases, no more than 60 days should be needed. However, more time can be allowed. For example, it may take an agency more time to develop and implement an adequate affirmative action plan. Or, a ratio, may for reasons outside of the agency's control have dropped to a very low level, and thus requires a phased approach to bringing it back into compliance.

b) It is important that the reviewer establish, together with agency staff and management, a reasonable deadline for the agency to correct their compliance problems. The compliance review form and the follow up letter should clearly indicate all such dates. This will form the basis for any long-term follow up activity by the Compliance reviewer and the Committee.

c) The executive director should be informed during the exit briefing, and in the follow-up letter, that a written response detailing what actions were taken. This is required.

d) If the executive director comments on an issue or concern which is out of the reviewer's expertise, it is recommended that the reviewer contact others on the Committee staff, or NIB/NISH staff, in order to provide an accurate response.

e) Beyond regulatory issues, the interview with the executive director should provide the Committee with important information regarding the agency's current overall operations, immediate and future plans, satisfaction with their AbilityOne contracts, and their view of the AbilityOne Program overall, or to comment on any other areas of concern.

7.1.4 Board of Director Interviews or meetings

a) The Committee has taken the position that board activity is an integral part of agency success and proper governance. Consequently, the presence of at least one member of the agency board should be sought. The reviewer should have made note of this request in the pre-visit letter.

b) Usually, the board member will sit in on the exit briefing with the executive director. In any case, during the meeting, the reviewer should endeavor to determine the extent or level of the board's involvement with the agency and their knowledge of the AbilityOne program.

c) Although most of the meeting will focus on the compliance issues at hand, it should not be limited to this. The board member should be encouraged to pose whatever questions or concerns they may have.

I) Questions that may be asked by the reviewer are:

II) How is the board structured?

III) How many members does it have?

IV) What areas of the community do they represent?

V) What are its subcommittees?

VI) What areas of the community do they represent?

VII) How frequently does the board meet?

- *The Committee is interested in nonprofit boards having as broad a representation of its community as possible. The Committee has determined that small, insular boards are potential weaknesses for the AbilityOne Program. For example, an agency board which is comprised of the executive director, their spouse and an in-law, although technically legal, may present an image problem for the AbilityOne Program. Agencies with small, insular boards should be encouraged to seek additional members or to change their structure.*

- *Some AbilityOne nonprofit agency boards have historically been comprised of just parents and relatives of individuals with disabilities. The Committee believes that in these cases, the strength of the agency and in turn the AbilityOne Program would be enhanced by having a more diverse board. It is the Committee's view that those with business experience can be particularly valuable to agency boards.*

VIII) Are any board members blind or severely disabled?

- Although some AbilityOne agency boards include people who have disabilities, most do not. This question serves as a reminder of the Committee's policy that individuals, who are served by the agencies, should have a voice at the board level, similar to that of the representation of people with disabilities on the Committee itself. The Committee believes that parents and relatives are inadequate substitutes for genuine disabled worker involvement.

XIII) What does the board know about the objectives and procedures of the AbilityOne Program?

- The reviewer need not engage in a quiz of the board member, but in the case that some issues may be arcane to the member, it may spur them to further discussion during their board meetings.

XIV) How do board members assist in promoting job opportunities for agency clients?

- This question is intended to alert the board member that they can play a role in helping to place agency clients into competitive jobs in the community. Some agency board members have been successful in hiring agency clients in their own businesses, or referring them to their colleagues in the community. The advancement of community support for the agency can go a long way in fostering a general positive regard for employing individuals with disabilities.

XV) Is the board considering actions to expand non-AbilityOne work? (For agencies with more than 50% AbilityOne sales).

- In such agencies, they can be reminded that there is risk in relying too heavily on AbilityOne sales, as a percentage of an agency's total sales. Considering the relative volatility of Federal contracts, the Committee encourages agencies, particularly those which are overly dependent on their Federal contracts, to expand their work to include more commercial and state contracts.

7.1.5 The Compliance Review Form in the Exit Brief Process

With notations of the review findings, and necessary corrective action, the review form (filled out during the review) serves as an acknowledgment of the Committee's compliance visit. It is intended to provide the nonprofit agency management with a record of the areas needing redress. It provides a summary of all the issues discussed in the exit brief, and can be compared to the findings of any previous visit. It allows the agency to begin correcting any compliance deficiencies immediately. This form should be signed by the executive director at the conclusion of the exit brief, as a record of his or her acknowledgement.

The agency should retain a copy of the form, with the original returning with the reviewer to the Committee's office. After key information is entered into JPID, the form should be placed in the agency file.

Chapter 8 – Completing the Review and Corrective Action Requirements

Immediate actions/follow-up

On returning from a compliance trip, the reviewer's immediate tasks will include, at a minimum, the following:

- The original of the compliance review form will be given to the compliance specialist for inputting designated compliance information into JPID.
- Updating JPID with any new or corrected information discovered during the visit, such as address or phone changes, a new executive director or specific contacts etc.
- Clarifying any questions not fully resolved during the visit. It is best to do this immediately upon return, before technical details become forgotten.
- Any issues requiring involvement by NISH or NIB, at either regional or national level, should also be communicated immediately upon return from travel.
- Any changes to an agency's legal documentation should be forwarded to the Committee staff Counsel for review.
- When this has been completed, the form will be placed in the agency's file.

The Follow-up letter

Within 30 days following the on-site compliance visit, the reviewer will send a follow-up letter to the agency's executive director. In this letter, the reviewer will summarize the visit, by addressing all of the compliance problems identified and mentioned in the exit brief. Although a recap, it should clearly enumerate all the shortcomings and corrective actions needed. It should also specify the established response date for the agency to confirm their resolution of the problems. A copy of this letter will be filed in the agency's compliance file.

The follow up letter can also be an opportunity for the reviewer to comment on or commend any aspects of the agency's operation, either in its furtherance of AbilityOne goals, or their general enhancement of workplace conditions for persons with severe disabilities. For example, an agency that has a high rate of placements of workers to competitive employment may be commended.

The Freedom of Information Act (FOIA) requires that the Committee make certain documents available to individuals who solicit information. As this letter

serves as a formal post-review report it is subject to release under FOIA. Therefore, the reviewer must assure that all relevant information is included and that it is precise and accurate. This also underscores the importance of gathering the necessary details *during* the compliance visit. Moreover, the reviewer should write the report as if for an audience unfamiliar with the AbilityOne Program. This may occasionally require additional elaboration, but it will reduce the occurrence of complex issues being misconstrued. The tone of a dunning letter should always be avoided.

A compliance review can substantially affect an agency's status with the AbilityOne Program. It can even lead to a Committee determination that they are no longer "qualified" to participate. The report therefore must detail all of the measures the agency must take to achieve compliance, and reiterate to agency management and staff, the critical nature of their complying with AbilityOne regulatory requirements.

It is important for the reviewer to ensure that the agency corrects system-related problems, and not just the specific samples that were reviewed during the visit. For example, if an agency has 200 files, and in reviewing 20, it was found that 4 were out of compliance, the reviewer should, in the letter:

- Specify in each case the exact reasons those files were unacceptable.
- Restate that as it was a random sample, and if representative of the whole, it is likely that approximately 20 percent of the agency's 200 files were similarly faulty.
- Emphasize the importance of reviewing all files to insure that all files are in compliance.

In some agencies multiple staff are involved in maintaining different aspects of the files, and their awareness of AbilityOne requirements may vary greatly. In such situations, the reviewer should request that all of the agency staff responsible for file maintenance, be informed of these requirements. In cases of systemic problems, whether it is files or compliance with DOL requirements, the agency should be encouraged to adopt a best-practices approach. Often, staff turnover or poor communication lead to problems of this kind. The reviewer should highlight this, wherein management can implement changes that can survive staff turnover.

Long-term follow up on corrective measures and due dates

The establishment of the response due date is critical to follow-up activities by the reviewer. It also helps indicate how effective agencies are in correcting compliance deficiencies.

When agencies submit acceptable responses for corrective action, the compliance specialist will enter the receipt date into JPID. This allows the Committee staff to track individual responses.

For some compliance issues, a verbal response or email is sufficient. In these cases, the reviewer should either write a memo for the agency file, detailing the corrective action taken, or print the email for the same purpose.

At the beginning of each quarter, the compliance specialist will generate a report from JPID of the response records of nonprofit agencies, which will be used for long-term follow up. Agencies that have not responded before the deadline established during the visit, will be contacted by the reviewer and asked to explain why no response was submitted and what corrective actions, if any, were taken. They will be asked again to submit a written detail of the corrective measures taken, and reminded that **a failure to respond jeopardizes their continued participation in the AbilityOne Program.**

FREQUENTLY ASKED QUESTIONS

1. WHAT QUALIFIES A NONPROFIT AGENCY TO PARTICIPATE IN THE AbilityOne PROGRAM?

In order to participate in the AbilityOne Program a nonprofit agency must have its nonprofit status verified by the Committee and it must be authorized to provide a product or service on the Procurement List. In order to remain in the AbilityOne Program a nonprofit agency must meet all of the requirements specified in the Committee's regulations on maintaining qualifications (41CFR51-4.3), the first three requirements being that 75 percent of the nonprofit agency's direct labor must be done by people who are blind (in the case of a nonprofit associated with National Industries for the Blind) or severely disabled; that the nonprofit submit an annual certification covering the fiscal year; and that the nonprofit must supply the products or services in accordance with the Government contracts.

2. HOW DOES AbilityOne DEFINE A SEVERE DISABILITY?

The Committee's regulations (41 CFR 51-1.3) define severely disabled as:

Other severely handicapped and severely handicapped individuals (hereinafter persons with severe disabilities) mean a person other than a blind person who has a severe physical or mental impairment (a residual, limiting condition resulting from an injury, disease, or congenital defect) which so limits the person's functional capabilities (mobility, communication, self-care, self-direction, work tolerance or work skills) that the individual is unable to engage in normal competitive employment over an extended period of time.

(1) Capability for normal competitive employment shall be determined from information developed by an ongoing evaluation program conducted by or for the nonprofit agency and shall include as a minimum, a preadmission evaluation and a reevaluation at least annually of each individual's capability for normal competitive employment.

(2) A person with a severe mental or physical impairment who is able to engage in normal competitive employment because the impairment has been overcome or the condition has been substantially corrected is not "other severely handicapped" within the meaning of the definition.

3. WHAT KINDS OF DOCUMENTS ARE REQUIRED FOR A NONPROFIT AGENCY TO CERTIFY SOMEONE AS "SEVERELY DISABLED"?

A written report signed by a licensed physician, psychiatrist, or qualified psychologist, reflecting the nature and extent of the disability or disabilities that

cause such person to qualify as a person with a severe disability, or a certification of the disability or disabilities by a State or local governmental entity.

A key point frequently missed when reviewing this statement is that the documentation must provide information on the extent of the disability.

4. WHAT DOES "NORMAL COMPETITIVE EMPLOYMENT" MEAN WITHIN THE AbilityOne PROGRAM?

The Committee has historically defined normal competitive employment as the ability of an individual to find, obtain and maintain a non- AbilityOne job, with no supports from a nonprofit. Commensurate wages would not be involved, because they are not a part of normal employment. The Committee considers an individual to be capable of normal competitive employment if the individual can do all of the following:

- Is capable of working a full work week (40 hours),
- Can complete an application and participate in an interview independently,
- Receives the same pay and benefits as any other worker performing comparable work,
- Only requires accommodations considered reasonable under American Disabilities Act (ADA),
- Can maintain a job for an extended period of time (months, if not years),
- Can maintain a job without intervention or supports from outside sources.

5. WHAT KIND OF DOCUMENTATION IS REQUIRED IN ORDER TO HELP DETERMINE WHETHER A PERSON IS NOT COMPETITIVELY EMPLOYABLE?

The concept of normal competitive employment or competitive employability in the AbilityOne program is as fundamental as it is unique. The documented evidence of a severe disability, the significant functional limitations resulting from it, and the requirement for substantive workplace accommodations, form the basis by which a person's *non-competitive employability is established and justified*. In addition to impairments directly related to a severe disability, some pertinent indirect factors may affect competitiveness.

The nonprofit agency needs to document that it is providing the individual with accommodations and supports that would not be considered reasonable by most employers. Information on the individual's productivity, level of supervision required, work tolerance and disruptive behavioral issues are common examples.

6. WHY DOES THE AbilityOne PROGRAM REQUIRE A "COMPETITIVE

EMPLOYMENT" EVALUATION?

The competitive employment evaluation is done to ensure that the AbilityOne Program is serving the people it was intended to serve. The language of the JWOD Act specifies that to be counted towards the 75% disabled direct labor ratio, an individual must be severely disabled and not competitively employable. Just because an individual has a severe disability does not mean that he or she is competitively unemployable. As people are frequently able to overcome their disabilities or the employment-related barriers associated with their disabilities, the assessment that an individual is not competitively employable must be reviewed annually to ensure that it is still correct.

7. HOW IS THE COMPETITIVE EMPLOYMENT EVALUATION CONDUCTED?

The nonprofit agency must have an evaluation program, with the individual making the decisions being one who is knowledgeable of people with severe disabilities. While the employee's direct supervisor has the best understanding of how the individual is performing on the job, the supervisor seldom has the background knowledge of severe disabilities required by the regulations. While the supervisor's opinion should be a critical part of the evaluation, particularly where it pertains to the implementation of accommodations and the individual work performance, the evaluation should usually be completed by another individual. An individual such as the rehabilitation director or a counselor who has the education, training, or work experience that is commensurate to making such a determination

8. WHAT IS AN "INITIAL ASSESSMENT"?

The initial assessment is the nonprofit agency's first evaluation of an individual and whether he or she is severely disabled and not competitively employable, which determines whether the individual should be counted towards the 75% disabled direct labor ratio. This assessment should be completed after the individual has been at the nonprofit long enough to determine adequately what accommodations and supports are required, but after no more than 30 days.

9. WHAT IS AN "ANNUAL ASSESSMENT"?

The annual assessment is the yearly evaluation by the nonprofit agency to determine whether an individual being counted towards the 75% direct labor ratio is still severely disabled and not competitively employable. The annual assessment is also an opportunity to discuss competitive employment options with the individual if he or she is determined to be competitively employable.

10. WHAT TYPES OF DISABILITIES ARE MOST PREVALENT IN THE AbilityOne PROGRAM?

Demographic surveys conducted by NIB and NISH in 2005 reveal that an estimated 33 percent of employees who are blind working at NIB associated agencies had secondary disabilities in addition to blindness. Approximately 67 percent of employees working at NISH affiliated agencies are estimated to have cognitive disabilities such as mental retardation, mental illness and developmental disabilities. The estimates of the primary disabilities of all AbilityOne employees in 2005 include:

Mental retardation	33%
Mental Illness	19%
Physical Disabilities	12%
Blind	10%
Developmental disabilities	8%
Deafness/Hearing impairment	4%
Substance Abuse/Alcoholism	4%
Neurological/Epilepsy	3%
Other	8%

11. What are the Committee's reviewers' qualifications that they can question a medical diagnosis by saying that an individual is not severely disabled?

The reviewer is not actually questioning the medical diagnosis, but rather evaluating the file's ability to meet the three requirements for an individual to qualify as severely disabled under the AbilityOne definition. First, there must be medical documentation stating a diagnosis with the nature and when applicable the extent of the disability; second, there must be functional limitations brought about by the disability; and third, those limitations must be severe enough to cause the individual to be not competitively employable.

The most common problems found by reviewers are:

- The medical documentation does not provide any information on the extent of the disability and that the
- The functional limitations are not explained either in the medical documentation or by the evidence,
- Accommodations for supposed limitations have not been noted.

When problematic, these issues are typically, either unexplained in the medical documentation, or not spelled out in the nonprofit's competitive employment evaluation.

12. WHERE CAN I FIND SOME EXAMPLES OF ACCEPTABLE MEDICAL, ASSESSMENT, AND EVALUATIVE DOCUMENTATION?

See the Examples of Acceptable Evaluations section in appendix 3.

Glossary

Accommodation – In normal employment settings, employers are obligated to provide “reasonable” accommodations to all workers under the Americans with Disabilities Act (ADA), though whether some particular accommodation is reasonable or unreasonable, has often been the subject of litigation. Still, when there is a consensus that it is not reasonable, or an unfair burden on an employer, such an accommodation will hardly ever be found in normal competitive employment. On the other hand, extensive job supports are routinely found in nonprofits participating in the AbilityOne Program.

Commensurate wages – Also frequently referred to as subminimum wages. Commensurate wages are wages that are commensurate with, and tied to, a worker’s productivity. The authority to pay commensurate wages is contained in the Fair Labor Standards Act in Section 14c and is administered by the Department of Labor (DOL). In order to pay commensurate wages a nonprofit must have a certificate from DOL. No matter the type of work, the output is usually some measured fraction of a properly established standard. Based on this productivity and the prevailing wage for the type of work being done, the wages calculated may or may not be below the Federal or State minimum wage.

DSM– (DSM-IV or DSM-4) –Diagnostic and Statistical Manual of Mental Disorders, 4th Edition (1994) – The principal reference book for psychiatrists, psychologists, mental health counselors, and therapists. It includes: classifications and diagnostic codes, diagnostic criteria, symptoms, treatment options, prognoses, and research findings for all mental disorders.

Five Axis Assessments – A multi-axial summation from DSM-IV, each of which refers to a different domain of information:

Axis I: Clinical Disorders and other conditions that may be a focus of clinical attention. This axis is for reporting all the various disorders of conditions in the classification except for the personality disorders and mental retardation. Examples include: disorders usually first diagnosed in infancy, childhood or adolescence, substance related disorders, schizophrenia, mood disorders, anxiety disorders and sleep disorders.

Axis II: Personality Disorders and Mental Retardation. This axis is for reporting personality disorders, mental retardation and noting prominent maladaptive personality features and defense mechanisms. Examples include: Paranoid personality, schizoid personality, obsessive-compulsive disorder, and mental retardation

Axis III: General Medical Conditions: This axis is for reporting current general medical conditions that are potentially relevant to the understanding or management of the individual’s mental disorder. Examples include: brain injury, infectious diseases, diseases of the

nervous, circulatory, respiratory or digestive system, and congenital anomalies.

Axis IV: Psychosocial and Environmental problems. This axis is for reporting psychosocial and environmental problems that may affect the diagnosis, treatment, and prognosis of mental disorders. Examples include: problems with primary support group, educational problems, economic problems and problems related to interaction with the legal system/crime.

Axis V: Global Assessment of Functioning: This axis is for reporting the clinician's judgment of the individual's overall level of functioning using the Global Assessment of Functioning (GAF) scale. Which is a rating of the person's current level of functioning, with respect only to psychological, social, and occupational functioning; it does not include impairment in functioning due to physical or environmental limitations.

100 91	Superior functioning in a wide range of activities, life's problems never seem to get out of hand, is sought out by others because of his or her many positive qualities. No symptoms.
90 81	Absent or minimal symptoms (e.g., mild anxiety before an exam), good functioning in all areas, interested and involved in a wide range of activities, socially effective, generally satisfied with life, no more than everyday problems or concerns (e.g., an occasional argument with family members).
80 71	If symptoms are present, they are transient and expectable reactions to psychosocial stressors (e.g., difficulty concentrating after family arguments); no more than slight impairment in social, occupational, or school functioning (e.g., temporarily falling behind in schoolwork).
70 61	Some mild symptoms (e.g., depressed mood and mild insomnia) OR some difficulty in social, occupational or school functioning (e.g., occasional truancy, or theft within the household), but generally functioning pretty well, has some meaningful interpersonal relationships.
60 51	Moderate symptoms (e.g., flat affect and circumstantial speech, occasional panic attacks) OR moderate difficulty in social, occupational or school functioning (e.g., few friends, conflicts with peers or co-workers).
50 41	Serious symptoms (e.g., suicidal ideation, severe obsessional rituals, frequent shoplifting) OR any serious impairment in social, occupational or school functioning (e.g., no friends, unable to keep a job).
40 31	Some impairment in reality testing or communication (e.g., speech is at times illogical, obscure, or irrelevant) OR major impairment in several areas, such as work or school, family relations, judgment, thinking, or mood (e.g., depressed man avoids friends, neglects family, and is unable to work; child frequently beats up younger children, is defiant at home, and is failing at school).

30 21	Behavior is considerably influenced by delusions or hallucinations OR serious impairment in communications or judgment (e.g., sometimes incoherent, acts grossly inappropriately, suicidal preoccupation) OR inability to function in almost all areas (e.g., stays in bed all day; no job, home or friends).
20 11	Some danger of hurting self or others (e.g., suicide attempts without clear expectation of death; frequently violent; manic excitement) OR occasionally fails to maintain minimal personal hygiene (e.g., smears feces) OR gross impairment in communications (e.g., largely incoherent or mute).
10 1	Persistent danger of severely hurting self or others (e.g., recurrent violence) OR persistent inability to maintain minimal personal hygiene OR serious suicidal act with clear expectation of death.
0	Inadequate information

Medical documentation – Medical or mental health records signed by a licensed provider [Ref. 41CFR51-4.3(c)(1)]. Documents that contain a clear diagnosis of what condition or combination of conditions has resulted in an individual being considered to be severely disabled [Ref. 41CFR51-1.3]. All verifying medical documentation must be signed by a person who is qualified to make such an evaluation [Ref. 41CFR51 - 4.3]. Depending on the disability, the age of the documentation is relevant in that some disabling conditions can improve over time [Ref. 41CFR51 - 1.3(2)].

Normal competitive employment – commonly refers to general workplace jobs, for which all individuals compete. Any given individual may obtain such a job by any means, but must be able to maintain it with reasonable accommodations and without external supports from a CRP or nonprofit agency. It is full time employment, with the same wages and benefits as non-disabled co-workers assigned to the same activities.

Pre-admission evaluation – an initial evaluation (and usually referred to as such) for an employee's capability for normal competitive employment that is done within the individual's first 30 days at the nonprofit. In this formalized process, staff assess the employee's capacity for certain tasks, limitations engendered by their severe disability, and how the latter might be accommodated. An individual's non-competitive employability is determined here.

Examples of Acceptable Documentation

The first two examples are based on the minimum acceptable standards described on page 10 and 11. The remaining examples are from various AbilityOne nonprofits. They represent several different approaches to documenting competitive employability and whether an individual meets or doesn't meet the Committee's requirements. It must be stressed that these are not the only ways of meeting the Committee's requirements, but are offered as examples to demonstrate possible ways of meeting the requirements.

COMPETITIVE EMPLOYMENT EVALUATION

Type of review: *Initial*

(individual's Name)

Synopsis of severe disabilities (This individual has the following disabilities)

Synopsis of extent of severe disabilities (This individual has the following limitations in self-care, self-direction, work skills, work tolerance, communication and or mobility as a direct result of the documented impairment)

Competitively employability

Is this individual currently capable of competitive employment (obtaining and maintaining a job without supports from the nonprofit agency)?

YES _____ NO _____

Synopsis of rationale for noncompetitive employability

If the answer above is no, what accommodations or supports not normally provided in typical community employment are being provided:

Name

Date

Title

Signature

COMPETITIVE EMPLOYMENT EVALUATION

Type of review: **Annual**

(individual's Name)

Synopsis of severe disabilities (This individual has the following disabilities. Note any changes from the last evaluation)

Synopsis of extent of severe disabilities (This individual has the following limitations in self-care, self-direction, work skills, work tolerance, communication and or mobility as a direct result of the documented impairment. Note any changes from the last evaluation.)

Competitively employability

Is this individual currently capable of competitive employment (obtaining and maintaining a job without supports from the nonprofit agency)?

YES _____ NO _____

Synopsis of rationale for noncompetitive employability

If the answer above is no, what accommodations or supports not normally provided in typical community employment are being provided:

Name

Title

Date

Signature

Competitive Employment evaluation

Date; January 17, 2006

Name: Doe, Jane

SSN: XXX-XX-XXXX

DOB: 07/12/66 (40)

AbilityOne **Type:** Annual

Position: Janitor

History

Ms. Doe has been employed with AIS since 02/04/03. Initial AbilityOne review found Ms. Doe to be eligible based on mild Mental Retardation. Ms. Doe has been married for 12 years and has two children ages 7 and 10.

Regarding her work history, she reported that she has worked as an exotic dancer, off and on since she was 20 years old. She worked doing cleaning for a company in the late 1980s, but stopped working there around 1988. She has also worked at a fast food restaurant for one year and tried working as a waitress for a restaurant/bar but was not kept beyond her trial period. She also had her own kiosk in a local mall briefly but her employer told her that she was too slow and she was let go. In the past, she has occasionally sold Avon.

Medical Review

A Psychological Evaluation was performed by Jan Smith, Ph. D. on 01/11/06. Dr. Smith diagnosed Mild Mental Retardation and dysthymic Disorder. A WAIS – III was administered and the results were a Verbal IQ of 61, Performance IQ of 69, and Full Scale IQ of 69 which is in the Extremely Low Range of intellectual ability. The Trail Making Test identified mild-moderate organic brain impairment. The WRAT3 showed skills and spelling to be at the 4th grade level and math skills to be at the 3rd grade level. The RAVLT found that Ms. Doe requires longer-than-average learning time for new material.

The MMPI-2 was administered in an audio-taped version because of Ms. Doe's low reading abilities.

Dr. Smith reported that Ms. Doe has a limited level of executive abilities which leaves her with deficits in the ability to plan, organize, self-monitor, and accommodate for mistakes or variability in performance. Her personality structure is such that she tends to appear aloof and may have poor interpersonal skills which would leave her prone to social isolation from an avoidance of others. She may suffer from mild, chronic depression.

Ms. Doe will most likely need ongoing help with planning, organizing, prioritizing, and making modifications in her work performance. She is capable of learning verbally but her learning time is most likely much longer than for others. This is complicated by her tendency to avoid relaying information regarding deficits, to include non comprehension. It would be advisable for hr and supervisors to have her repeat instructions, to verify that she has understood them.

Personnel File Review

No findings of disciplinary action, incident reports, or any indication of behavioral issues on the job.

Supervisor Review

On 12/02/05, a phone interview was conducted with Ms. Doe's supervisor, Don Jackson. Mr. Jackson reported that Ms. Doe completes a full eight hours worth of tasks within 8.5 hours. The reason for the extra 30 minutes is that Ms. Doe works at 2 separate sites during her eight hour shift. After she finishes her tasks at one, she has to walk to the other, in the dark. This makes her nervous and the anxiety causes a performance deficit.

Mr. Jackson stated that Ms. Doe is able to adapt to changes in her routine, as long as she has additional time to adjust, have all of her questions answered, receive close supervision, and be comfortable that extra support is available if she needs it. Given this, she can adjust to occasional change. However, day to day changes would markedly reduce her productivity, as it would begin to overwhelm her. She can adapt to a new site, as long as her duties are relatively the same.

Mr. Jackson also reported that Ms. Doe's mental processing is slow, especially when questions are asked. Either the questions are not well understood, or an extended period for deliberation is needed. He stated that she has difficulty making decisions and using good judgment while performing her various tasks. He provided an example:

Ms. Doe has a tendency to carry a bucket from one end of the school to the other, in order to clean a room. On completion, she will store the bucket in the closet closest to the room. The next time she cleans that room, she will carry a different bucket from one end of the school to the other. After not too long a period, all of the buckets in the school will be in one closet at the far end of the school. He stated that she persists with this, regardless of the number of times he has explained this problem to her. She is able to learn new tasks with verbal instructions, but that time must include slow simple explanations, modeling, supervising and providing reminders.

Mr. Jackson reported that Ms. Doe left her husband recently and she has requested a shift and site change. For the most part, she is very uncomfortable talking to people, especially if she does not know them.

Ms. Doe needs to be placed at a work site where she is only expected to perform one task at a time. He stated that she requires 4-6 hours of direct supervision in order to insure that her tasks get completed, And Sometimes he has to assign part of her work to janitors on the next shifts. He stated that she is not able to multi-task, prioritize her tasks, or time manage her shift. He stated that he often finds Ms. Doe in the middle of a task, confused as to which step comes next. He stated that he had not been able to be present at Ms. Doe's work site until recently, and did not realize how much she was struggling with her job duties.

Employee Review

On 12/20/05, a phone interview was conducted with Ms. Doe. She reported that she graduated from high school, but is "not a real exceptionist in math." She was in Special Education and is able to read and write.

She stated that she "took training on computers" in the past, but has not used those skills for work. She said that she has worked with the Office of Vocational Rehabilitation Services, and that agency may have been the one who referred her to AIS.

When asked whether she received SSI or SSDI, she said that she used to a long time ago but that she does not anymore. When questioned as to why it was stopped, she answered, "1988." The question 'why' was repeated and she then answered "I guess because I was working.

Ms. Doe stated that she became anxious at times and has trouble breathing when she did. At such times, she must relax and breathe. She stated that this has been a problem all her life.

She has not seen a doctor for quite some time and takes no medications. However, she said she needs to see one soon, because she has "an infection." When questioned about this, she stated that she did not want to share the information, because she is self-conscious.

She has two children, but when asked their ages, she responded, "I also have property taxes and the county one," quickly adding, "My husband is injured." Ms. Doe then began talking about how she had avoided another job, but that Child Protective Services (CPS) was called because of something in the driveway and she was charged \$1,000. She began to talk about this situation at length but it was difficult to follow the events because she presented them in a scattered and fragmented manner.

In response to whether or not she experienced any difficulties in performing her job duties, Ms. Doe stated, "I assist the night custodian and learned lots here. Most important to get things done and do the fire alarms. The question was reworded, "Do you have any problems at work?" In response to this, Ms. Doe stated, "I get confused about what to do, you know, um." After a long silence,

she stated, "There are a few other things like fire alarms. Well, it's a practice thing."

During the conversation, Ms. Doe appeared hesitant and guarded when answering direct questions. Most questions resulted in pauses that lasted for at least ten seconds before she responded. Her answers were delivered with very slow, halting speech. However, when she related her CPS story, she spoke without hesitations and more quickly than when responding to direct questions, where her answers often related to completely different subjects.

Recommendations

Ms. Doe has Mild Mental Retardation and a Dysthymic Disorder. She processes information slowly and has difficulty learning and executing new tasks. Her Dysthymic Disorder produces occasional depression. During such periods, she has a low energy level and has difficulty concentrating on her work.

Ms. Doe will benefit from a structured environment and a set single-task routine, with minimal distractions, interruptions, or changes. She needs to be supervised closely and given reminders to help her complete her tasks correctly and in a timely manner. New tasks should be demonstrated to her with both verbal and manual instructions and, with additional time to learn them. Interaction with others should be limited, since it makes her very uncomfortable. She will benefit from encouragement and support on a daily basis.

Assessment/Plan

Based on this review, I believe that Ms. Doe does have a severe disability that is consistent with Committee regulations. She demonstrates an inability to overcome the functional limitations of self-care, self-direction, work skills, work tolerance, and communication associated with Mild Mental Retardation and Dysthymic Disorder. These functional limitations preclude her from obtaining and maintaining competitive employment.

I hereby find Ms. Doe to have a severe disability which so limits her functional capabilities that she is unable to engage in normal competitive employment over an extended period of time in accordance with AbilityOne standards Title 41 Part 51-1.3.

AbilityOne **Eligible:** Yes

Primary: Mild Mental Retardation

Secondary: Dysthymic Disorder

XX

INITIAL CHECKLIST

WORK HABITS

Attendance

Punctuality

Proper Notification when
absent/late

Takes breaks at designated time

Leaves premises at designated times

WORK TOLERANCE

Attention to work details

Frustration tolerance

Follows written directions

Follows oral directions

Ability to maintain expected work
pace

Productivity rate

Reaction to new assignments

Need for work assignment accommodation

INTERPERSONAL BEHAVIOR

Interaction with supervisor

Interaction with co-workers

Demonstrates effort to work

Management of conflict

Ability to work without direct supervision

OTHER (what supports are being provided to the employee)

WORK SKILLS RATING SCALE

Competitive Employability Determination

DATE ___/___/___ INITIAL ___ Or ANNUAL ___
 Employee with Severe Disability _____ WORKSITE _____
 EVALUATOR _____ JOB TITLE _____

Please rank this employee's level of ability and performance, compared to that of a competitively employed individual, who does not have a severe disability, and who is performing similar tasks. Rate each level of functioning by placing an "X" in the area which **most closely** describes the disabled employee's **current** performance.

WORK SKILLS	RATINGS: Functional Limitations				Support provided
	Present 95% or more	Present 51% -94%	Present 50% or less		
A. ATTENDANCE (Mark one)					
B. Degree of INDEPENDENCE	95% or more	76% to 94%	51% to 75%	50% or less	
C. WORK HABITS % of time consumer is:	95% or more	80% or 94%	60% or 79%	59% or less	
1. PUNCTUAL					
2. COOPERATES with co-workers					
3. COOPERATES with supervisors					
4. Shows INITIATIVE by seeking work					
5. ATTENTIVE to assigned tasks					
6. Displays good APPEARANCE and/or HYGIENE					
7. Accepts REDIRECTION					
8. DEPENDABLE in completing tasks					
9 Observes SAFETY rules & regulations					
10. Follows DIRECTIONS					
11. COMMUNICATES Effectively					
12. Accepts CHANGE appropriately					
13. Works well under PRESSURE					
14. Identifies quality control issues					

D. Work Tolerance	RATINGS: Function Limitations				Supports provided
1. Demonstrates STAMINA for	<u>6-8hr. work day</u>	<u>4-6 hr. task</u>	<u>2-4 hr. task</u>	<u>Less than 2 hrs.</u>	
SKILLS: % of time employee is able to:	95% or more	80% to 94%	60% to 79%	59% or less	
2. Uses required TOOLS and EQUIPMENT appropriately					
3. LEARNS NEW TASK quickly with minimal instruction					
4. COMPLETES TASKS without errors					
5. Makes fine DISCRIMINATIONS					
6. Correctly MANIPULATES small objects/items					
Percentage of total job description performed	90% or more	70% to 89 %	50% to 69%	Less than 50%	

April XX, 2007

Dear Ms.:

This letter is to confirm my upcoming visit to your agency on _____, wherein I will review your agency's compliance with Federal and Committee regulations pertaining to its participation in the AbilityOne, formerly Javits-Wagner-O'Day Program.

During this review I will go over a number of areas that are outlined on the form: compliance review of NISH nonprofit agency, which I have enclosed. We will fill it out during my visit, and it indicates the specific information I will need. It is often helpful to bring it to the attention of other staff whose areas may be involved: business office, HR, placement or vocational supervisors, etc. Using a copy of the form as a worksheet prior to my visit can often expedite the process.

As a critical part of a compliance visit involves the verification of medical records for direct-labor workers being counted as severely disabled, Federal Regulations require that this review cover all such employees, not just those working on JWOD contracts. If your agency policy or State law requires a release for us to review the files, please use the appropriate procedures to obtain such releases that will allow me to do so.

Another important part of the visit process is the Executive Director's outbrief. Such meetings normally last no more than thirty minutes, and would be best scheduled for some time in the late afternoon. If at all possible, it is requested that at least one member of your Board of Directors be present for this meeting.

Please call me at (703) 603-_____ or e-mail _____ if you have any other questions regarding the review.

Sincerely,

December XX, 200X

Dear Mr.:

I am writing, first to express my appreciation for the fine welcome and hospitality your agency accorded me during my recent visit, with special thanks to and for their assistance and well-organized presentation of the various documents relevant to a Committee review.

Secondly, and as I discussed with you during my visit, the Committee For Purchase is most interested in insuring that agencies participating in the AbilityOne Program meet the legal requirements of maintaining or exceeding the 75 percent direct labor ratio. Your agency is currently meeting this critical standard and the Committee appreciates the efforts you have made during the past year that brought this about.

In addition to ratios, the JWOD Program requires a qualitative determination as to those individuals who perform direct labor and are deemed to be severely disabled. Such workers must be disabled to the point wherein their disability or disabilities cause them to be not presently capable of normal competitive employment

In a random sample review of employee files (severely disabled/direct-labor), and with the aforementioned criteria in mind, I determined that all files contained documentation that would validate a condition, which as a logical consequence would result in the person being considered "not competitively employable".

All the other areas I reviewed, issues involving Department of Labor, OFCCP, and OSHA requirements appeared to be in satisfactory order.

Once again, I was very pleased to have the opportunity to visit ARC Brevard and your JWOD operation at Patrick AFB. Please feel free to contact me at any time if there is something for which you think I may be a resource.

Sincerely,

|

TRIP REPORT FOR NISH NONPROFIT AGENCY

Date of Visit: _____

Visitor: _____

Agency:	Executive Director:
Street Address:	E-Mail Address:
City, State:	Phone Number:

Previous Visit Date: _____

Previous Visitor: _____

- ☐ **NISH**
- ☐ **Committee**

Previous Problems:

1. Articles of Incorporation & Bylaws

Have there been any changes to articles of incorporation or bylaws since _____?
Yes No

If yes, when _____ (attach copy of amendments)

2. File Review of Medical Documentation & Competitive Employability

Total # of files for all severely disabled direct labor employees

AbilityOne _____ (+) Non-JWOD _____ (=) Total _____

Total number of files reviewed

AbilityOne _____ (+) Non-JWOD _____ (=) Total _____

A. Number of files which contained documentation of a severe physical or mental impairment:

AbilityOne _____ (+) Non-JWOD _____ (=) Total _____

B. Number of Files which contain sufficient information developed by an ongoing evaluation program that includes a preadmission evaluation and reevaluation at least annually, of each individual's capability for normal competitive employment.

AbilityOne _____ (+) Non-JWOD _____ (=) Total _____

Comments _____

3. Placement Program

Does the agency have a placement program? Yes No

If no, does the agency have a letter of agreement with another agency to provide placement services? Yes No

Comments: _____

4. Direct Labor Ratios

FY _____ cumulative hours through _____

Are employee hours being classified correctly as direct or indirect labor? Yes No

A. Total Agency Direct Labor

Disabled Hours _____ (+) Non-Disabled hours _____ (=) Total _____

Disabled Hours _____ (/) Total Hours _____ (=) Ratio _____

B. AbilityOne Direct Labor

Disabled Hours _____ (+) Non-Disabled hours _____ (=) Total _____

Disabled Hours _____ (/) Total Hours _____ (=) Ratio _____

Comments _____

5. AbilityOne Project Ratios

FY _____ cumulative hours through _____

If spreadsheet is attached, it should contain project number or description, number of disabled and non-disabled hours, and ratios.

Project # _____ **Ratio on Add 5/6** _____

Is the project on-schedule? Yes No N/A

Disabled Hours _____ (+) Non-Disabled hours _____ (=) Total _____

Disabled Hours _____ (/) Total Hours _____ (=) Ratio _____

Project # _____ **Ratio on Add 5/6** _____

Is the project on-schedule? Yes No N/A

Disabled Hours _____ (+) Non-Disabled hours _____ (=) Total _____

Disabled Hours _____ (/) Total Hours _____ (=) Ratio _____

Project # _____ **Ratio on Add 5/6** _____

Is the project on-schedule? Yes No N/A

Disabled Hours _____ (+) Non-Disabled hours _____ (=) Total _____

Disabled Hours _____ (/) Total Hours _____ (=) Ratio _____

Comments _____

6. Department of Labor Requirements

A. Commensurate Wages

Does the agency have a certificate authorizing special minimum wage? Yes No
Expiration Date _____

Do recipients of commensurate wages have impaired productivity or earning capacity from age, physical disability, mental disability, or injury for the work performed? Yes No N/A

Have calculations been verified to match payroll records? Yes No N/A

B. Prevailing Wage

Has the prevailing wage survey been completed annually? Yes No N/A

Does the prevailing wage survey have all the following: Yes No N/A

Contact date, company name, address, phone number, contact persons name with title. Brief description of work involved, wage rate, and basis for concluding the wage data provided was not for an entry level position.

Has the employees wages been adjusted no later than the First complete pay period following the prevailing wage Review? Yes No N/A

Have all monetary calculations been rounded up? Yes No N/A

C. Hourly Production Standards

Is there a job description and task analysis for work being performed? Yes No N/A

Has a standard been set using employees who are not disabled for the work? Yes No N/A

Have employees productivity been measured within the first month of employment? Yes No N/A

Is employees' performance being reviewed every 6months or when the workers change jobs?	Yes	No	N/A
Are production standards reviewed periodically?	Yes	No	N/A
Have all monetary calculations been rounded up?	Yes	No	N/A

D. Piece Rates

Is there a job description and task analysis for the work being performed including set-up activities, packaging, counting, boxing, clean-up, and other irregular operations?	Yes	No	N/A
Have standards been set using employees who are not disabled for the work and incorporated Personal Fatigue, and Delay (PFD) factor that is not less than 17.65%?	Yes	No	N/A
Are piece rates calculated correctly? (Prevailing wage divided by non-disabled standard = piece rate)	Yes	No	N/A
Have all monetary calculations been rounded up?	Yes	No	N/A

Comments _____

7. Service Contract Act (SCA)

Is the current wage determination rate being used?	Yes	No	N/A
Which health & welfare benefits are being paid?	Cash	Benefit plan	Both
Explain benefit plan, in component parts and percentages of H&W:			

Has payment to the benefit provider been verified?	Yes	No	N/A
Holidays paid	Yes	No	N/A
Vacation benefits paid	Yes	No	N/A
Payroll records match	Yes	No	N/A

8. Occupational Safety & Health Administration (OSHA)

Safety Committee	Yes	No	N/A
MSDS	Yes	No	N/A
Bloodborne Pathogens Program	Yes	No	N/A
OSHA Form 300	Yes	No	N/A

Comments _____

9. Additional Federal Contractor Requirements:

Affirmative Action Policy (A Federal Contract of \geq \$10,000)	Yes	No	N/A
--	-----	----	-----

Affirmative Action Plan (A Federal Contract of \geq \$50,000 and 50 employees)	Yes	No	N/A
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EEO-1 Form	Yes	No	N/A
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Vets-100 Form (A Federal contract of \geq \$25,000)	Yes	No	N/A
--	-----	----	-----

Drug- Free Workplace Policy (A Federal Contract of \geq \$100,000)	Yes	No	N/A
---	-----	----	-----

Family & Medical Leave Policy (Employers with \geq 50 employees)	Yes	No	N/A
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I-9 Forms
Number Reviewed _____ Number with at least one or more deficiencies _____

Comments _____

10. VISIT SUMMARY or additional overall comments:

Agency Acknowledgement:

Printed Name: _____

Title: _____

Signature: _____

Date: _____

Article I. COMPLIANCE REVIEW OF NISH NONPROFIT AGENCY
Article II.

This document is an explanatory addendum to the form: **Compliance Review for NISH Nonprofit Agency**, and is intended to assist in its completion.

Article III. Instructions

Section 3.01

1. Articles of Incorporation & Bylaws

Have there been any changes to the agency's Articles of Incorporation or By-laws since _____. This date corresponds with the most recent copies on file at the Committee For Purchase, and should be filled in by the reviewer prior to a visit. If there have been any changes since that date, a copy of the most current version of these documents should be given to the reviewer.

2. File review for medical documentation and competitive employability

The "total" number of files is equal to all the files of severely disabled direct labor employees, who worked for the agency at any time during the past year, both AbilityOne and non- AbilityOne. In this item, the total is divided into two groups: all the severely disabled direct labor employees who are working on AbilityOne projects, and all those who are working on non- AbilityOne projects.

A random sample of these files from both AbilityOne and non- AbilityOne, to be determined by the reviewer, will be physically examined to determine the adequacy of documentation verifying the employees' severe disability and non-competitive employability evaluation.

The number of files reviewed will depend on the size of the direct labor work force:

No less than 20 files or 10%, whichever is greater, will be examined. For agencies with fewer than 20 direct-labor, severely disabled workers, all files will be reviewed.

Federal Regulations governing the AbilityOne program mandate that participating agencies maintain proper documentation for verifying that all employees determined to be (and counted as) severely disabled, are just that. Evidence of an evaluation assessing their competitive employability is also required. This applies to all who perform direct labor, whether on a AbilityOne contract or not.

Medical documentation must include a clear diagnosis as to what condition or combination of conditions has resulted in an individual being considered severely disabled. [Ref. 41CFR51-1.3] Such a disability should be consistent with a level of impairment that would reasonably cause a person to be deemed *not competitively employable*. The extent and degree of impairment should be described in the competitive employment evaluation.

For many medical conditions, severity can exist on a continuum, from mild to profound. This is why a delineation of the degree of impairment is so critical. In other words, a measure of the functional limitation must be known in order to determine the degree of severity.

Verifying medical documentation, i.e. a diagnosis, must be signed by a person who is qualified to make such an evaluation. [Ref. 41CFR51 - 4.3]] Depending on the disability, the age of the documentation may invalidate it, as some disabling conditions can improve over time. As well, rehabilitative gains may result in an individual becoming competitive.

Committee regulations state that the evaluation of competitive employability must be done initially and on an annual basis thereafter. An individual who has been at the agency for over one year should have a file that contains both an initial and an annual evaluation

If the files contain compliance problems, a corrective action plan will be put in place.

3. Placement Program

Federal Regulations (41 CFR 51-4.3) require all participating nonprofit agencies to have an ongoing placement program, either at the agency or through a formal arrangement with an outside employment service.

4. Direct Labor Ratios

The first question refers to cumulative hours from the beginning of the federal fiscal year, which is October 1. It should be cumulative through the end of the last pay period prior to the date of the review.

Classifying employees correctly refers to whether proper distinctions have been made between direct and indirect labor employees. On occasion, some employees work both direct and in-direct labor and their hours in both categories should be appropriately counted.

Item A. accounts for all direct labor hours produced in the entire agency. The form breaks down the arithmetic for deriving the overall agency ratio.

Item B. does the same for the hours produced by all the JWOD contracts .and tallies an overall JWOD ratio.

5. AbilityOne Project Ratios

Again, cumulative hours should be year-to-date (end of last payroll) going back to Oct 1, unless a particular project began sometime in mid year.

The total hours of all the AbilityOne projects, should equal what was recorded in item 4-B.

The ADD-6 requires an agency to estimate a project ratio, a comparison of that number to where the project currently is needs to be assessed. Phase-in plans and schedules are developed for new projects that will begin with a direct labor ratio that is below that which the agency believes it can eventually achieve, or for contracts that have begun at levels lower than was anticipated. In cases where there is a phase-in schedule or plan, its current ratio needs to be checked against the phase-in schedule that was submitted. If they are not within 5% of their target, the reasons should be indicated and corrective action required.

In addition, it may be necessary for the reviewer to look at current ratios, by way of gathering the direct labor hours worked during the last pay period. This will give a snapshot of how the agency is performing at the present time.

If the agency's overall ratio is below 75% and/or any AbilityOne project ratio is below 60%, they should specify the corrective actions that are being taken, as well as the anticipated dates that these mandatory ratios are to be achieved. Current cumulative ratios should also be checked against that which was submitted on the Add-5/6; if a large discrepancy exists it may need to be addressed.

6. Department of Labor Requirements

All agencies that are paying commensurate wages (which includes paying wages below a Wage Determination Rate on a Service Contract) must have a current Department of Labor certificate. If the agency has one, its effective date should be noted.

This item asks a number of questions relevant to Department of Labor regulations pertinent to the payment of commensurate wages. Relevant documents should be examined in order to gain a reckoning that the agency appears to understand these various rules, and has implemented them.

The method of payment that the agency utilizes must ensure that the proper calculations are reflected in their payroll system. The production standards, prevailing wage documentation and payroll methods should allow one to trace

the pay records of individuals who work in different direct labor positions. These pay records should be consistent with the production standards and measured productivity.

7. Service Contract Act (SCA)

This section applies only to agencies with Federal Service Contracts. The Service Contract Act wage determination rates should be current and correct. Available documentation should include the current SCA Wage Determination rate and Fringe Benefit procedure for paying "health & welfare": cash, or benefits plan (in part or whole), vacation and holidays (paid or taken), etc.

8. Occupational Safety & Health Administration (OSHA)

Committee regulations state that any agency participating in the program must be in compliance with all applicable occupational health and safety standards prescribed by the Secretary of Labor. This can be accomplished by requesting a "consultation review" through the State Division of the Occupational Safety and Health Administration (OSHA).

However at a minimum, the agency should have:

- A. Formal Safety Committee (to oversee the agency's written communications regarding safety and injury reporting);
- B. MSDS sheets for all hazardous materials used;
- C. Blood-Borne Pathogens program.

Some participating agencies may not need to maintain an OSHA Form 300. OSHA regulations involving this requirement can be consulted to determine the appropriateness of the particular agency's need to do so. The OSHA central office can provide a written OSHA 300 exemption.

9. Additional Federal Contractor Requirements:

For compliance with the Office of Federal Contract Compliance (OFCCP) and the AbilityOne Program, any agency with more than \$10,000 in Federal contracts must have a written policy that ensures the contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

Agencies with 50 or more employees and \$50,000 or more in a Federal contract must have a written affirmative action plan for each designated group: people with disabilities, women, minorities, and veterans. An EEO-1 report must be submitted by September 30th of each year. The plan should ensure development of positive programs to recruit, hire, train, pay and promote minorities, women, people with disabilities, Vietnam era and special disabled veterans. The 50-employee requirement applies to the agency's total number of employees,

including staff. An affirmative action or equal opportunity policy is not enough to meet the written affirmative action plan requirement.

Agencies with Federal contracts totaling \$100,000 or more must complete the Veterans Form 100 and submit it by September 30th of each year.

The Drug Free Workplace Act of 1988 requires all federal contractors and recipients of federal grants of \$25,000 or more develop and communicate policies on drug awareness to employees on an ongoing basis. The Federal Acquisition Streamlining Act of 1994(FASA) raised the threshold of contracts covered by the Drug-Free Workplace Act of 1988 from \$25,000 to those exceeding \$100,000. For Federal contractors, the policy must contain a clause requiring the contracting agency to notify the contracting officer in the event of a drug related conviction on the agency's premises, within 10 days.

The Family and Medical Leave Act covered in 29 CFR § 825.104 requires that an employer who employs 50 or more employees for each working day during each of 20 or more calendar workweeks in the current or preceding calendar year comply with FMLA. FMLA gives eligible employees of a covered employer the right to take unpaid leave, or paid leave if it has been earned, for a period of up to 12 workweeks in any 12 months for birth of a child, adoption/foster care child placement, and/or care for a serious health condition of self, child spouse or parent.

The Immigration Reform and Control Act of 1986 requires that all employers hire only United States citizens and aliens who are authorized to work in this country. Form I-9 must be completed for every employee hired after November 6, 1986. Both sides of the I-9 must be copied if a reproduction of the document is made. The photocopying of identification and employment eligibility documents is not required and does not negate the necessity to complete the form. If photocopied documents are attached to I-9 they should be done for all employees to avoid any claims of discrimination.

10. REVIEW SUMMARY or additional overall comments

This area should note any issues not specifically mentioned in the previous items.

11. Agency Executive Director Comments (outbrief)

This portion should be completed just prior to, or as part of the out briefing, where a member of the agency's Board of Directors should be present.

Although the questions here are straightforward, the Committee wishes to understand the full scope of the agency's business enterprise.

Most nonprofits that participate in the AbilityOne Program, do more than just work on U.S. government projects. The Committee desires to learn more about what other services are being provided to its community. This topic also serves as a place to learn about the corporate structure of the nonprofit and if any related corporations to the nonprofit being reviewed exist. When a non-profit agency is a related corporation, it is important to gain an understanding of the nature of that relationship.

The Committee also has an interest in knowing the extent of a non-profit agency's financial enterprise, beyond their AbilityOne contracts and non-AbilityOne direct labor work. If an agency engages in a spectrum of other rehabilitative endeavors, or provides such supports as residential services, their operating budget might be substantially larger than would be shown in their sales figures. In a general sense this tends to give such agencies greater capacities both financial and professional.

Information regarding sales is collected on the Annual Certifications, and its collection during this review is not critical. However, it can serve as a means to finding out changes that occasionally lead to ongoing problems.

The final questions should be seen as a short customer satisfaction survey. The responses to these questions can help the Committee and NISH improve the AbilityOne Program and become more responsive to its consumers.

Corrective action and written confirmation will be taken by the date specified.