

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

FISCAL YEAR 2012 PERFORMANCE AND ACCOUNTABILITY REPORT



An independent agency responsible for administering the
Javits-Wagner-O'Day Act (41 U.S.C. 46-48c) and the AbilityOne Program.

Operating as the U.S. AbilityOne Commission since October 1, 2011



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Section 1: Agency and Mission Information

1.1. Introduction

The Committee for Purchase From People Who Are Blind or Severely Disabled (Committee) respectfully submits this FY 2012 Performance and Accountability Report (PAR) in accordance with OMB Circular A-11. The Committee is an independent Executive Branch agency that administers the Javits-Wagner-O'Day Act of 1971 (as amended.) This statute authorizes the Committee to guide and oversee an employment program for people who are blind or have other significant disabilities, known as the AbilityOne Program. One year ago, the Committee began using "U.S. AbilityOne Commission" as its operating name for external communications, to increase awareness and understanding of the linkage between the Federal agency and the AbilityOne Program.

The AbilityOne Program creates and sustains employment for approx. 50,000 Americans who are blind or have other significant disabilities who furnish products and services to the military and civilian agencies nationwide. This employment often enables AbilityOne employees to reduce their dependence on disability benefits programs and to join the ranks of taxpayers. At the same time, Federal agencies receive quality products and services through AbilityOne providers, on time and at reasonable prices.

Employment and economic security are among the nation's highest domestic priorities; however, individuals who are blind or have other significant disabilities typically face the most barriers to employment. Less than 30 percent of working age Americans with disabilities were employed in 2011; and across all ages and education levels, individuals with disabilities have a higher rate of unemployment¹. The Administration has placed substantial emphasis on empowering people with disabilities, to include greater workforce participation. The Committee's mission, vision and accomplishments make significant contributions to this goal. The Committee actively promotes the capabilities of people who are blind or who have other significant disabilities, and through the Federal procurement system, effectively grows the number of job opportunities offered to these individuals.

In fact, the AbilityOne Program network of nonprofit agencies is the single largest source of employment for this segment of the U.S. population. The Program has a national footprint, and provides employment opportunities to approximately 50,000 individuals who are blind or who have other significant disabilities. Not only do participants earn experience, income and tangible benefits, but the AbilityOne Program's Quality Work Environment (QWE) initiative is enhancing the nature of their employment – promoting opportunities to do the work of their choice, with flexibilities and supports, at competitive wages, with access to training and a clearly articulated career ladder. Further, the Program's delivery of such jobs, as well as quality products and services at fair market prices, is built on a foundation and spirit of accountability and transparency. We look forward to further enhancing and demonstrating the performance results of the AbilityOne Program.

¹ U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Persons with a Disability: Labor Force Characteristics, and Table A., June 8, 2012 [retrieved November 1, 2012].

1.2. Mission Statement

The Committee's mission, and that of 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.

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 Committee is comprised of 15 Presidentially-appointed members, who were supported by a full-time civil service staff of 27 Federal employees in FY 2011. 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 Committee to designate one or more central nonprofit agencies to assist it in implementing the AbilityOne Program. The Committee has designated National Industries for the Blind (NIB) and NISH (serving people with a wide range of significant disabilities) to fulfill this role. NIB and NISH assist more than 600 private not-for-profit agencies and/or State agencies to participate in the AbilityOne Program, and in so doing, to employ people who are blind or who have other significant disabilities.

The AbilityOne Program organization structure is illustrated below.

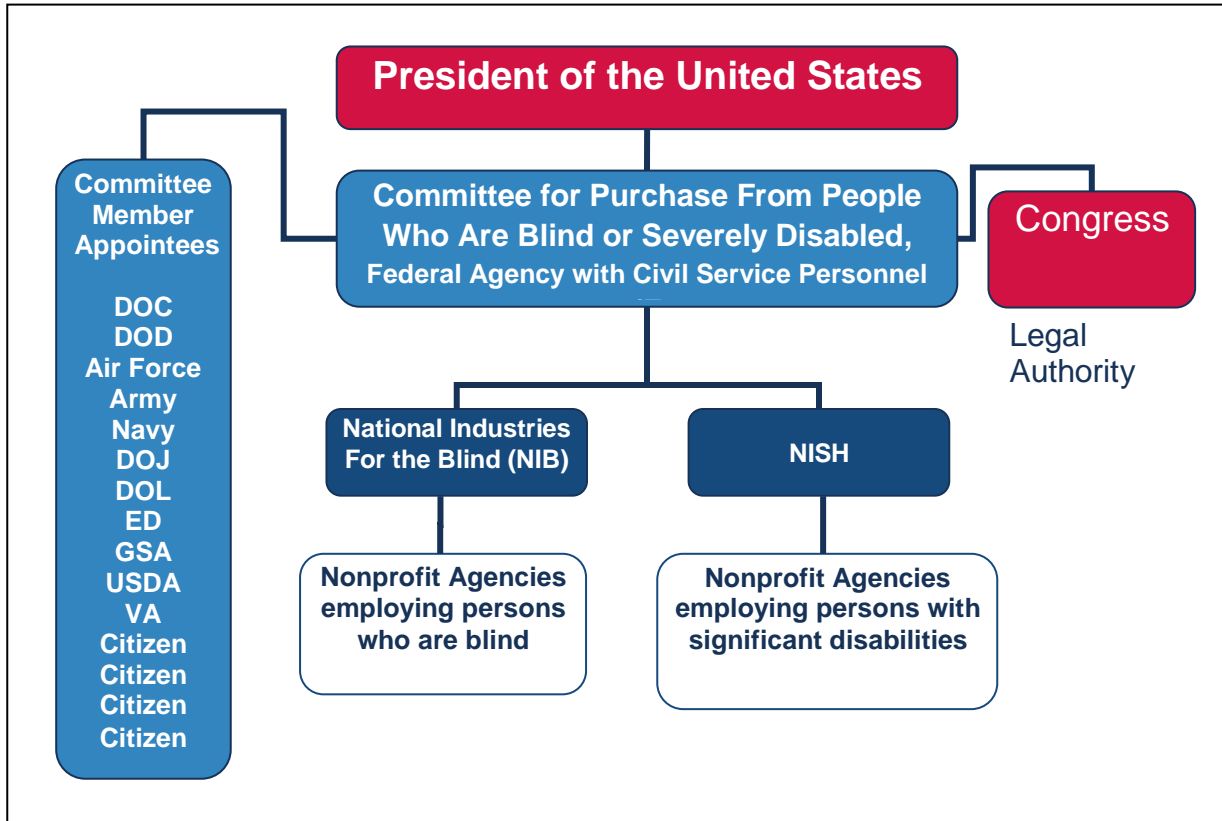


Figure 1. AbilityOne Program Structure

The President appoints 15 Committee members who provide oversight and guidance to the Agency and who, by law, make certain 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 Committee 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 2012, the Committee Chairperson was J. Anthony Poleo, who was appointed to represent the Department of Defense. The Vice Chairperson was James Kesteloot, a private citizen from Chicago, Illinois, representing the employment concerns of nonprofit agency employees who are blind. A full listing of appointees who served during FY 2012 follows.

Committee Membership during FY 2012:

J. Anthony Poleo
Committee Chairperson
Director, DLA Finance/CFO
Defense Logistics Agency

James M. Kesteloot
Committee Vice Chairperson
Private Citizen

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

RADM Mark F. Heinrich
Commander
Naval Supply Systems Command
U.S. Department of the Navy

Robert T. Kelly, Jr.
Private Citizen

Paul M. Laird
Regional Director, North Central Region
Federal Bureau of Prisons
U.S. Department of Justice

Anil Lewis
Private Citizen

Kathleen Martinez
Assistant Secretary
Office of Disability Employment Policy
U.S. Department of Labor

Karen J. McCulloh
Private Citizen

Pamela C. Schwenke
Director, Budget Investment
Deputy Assistant Secretary (Budget)
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

The Committee had two vacant positions at the end of FY 2012, the *U.S. Department of Commerce* position and the *Department of the Army*. The latter was vacated upon the August 2012 retirement of **Carol E. Lowman, Ph.D.**, who was the Deputy to the Commanding General, U.S. Army Contracting Command. Additionally, prior to July 2012, **James H. Omvig** served as a Private Citizen representing the employment concerns of people who are blind. Mr. Omvig was succeeded by Anil Lewis.

Committee Staff during FY 2012

A career member of the Senior Executive Service serves as the Committee'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 day-to-day AbilityOne-related business and prepares the information required by the appointees for decision making. The staff is organized into the following functional areas: Executive Team, Compliance, Information Technology, Business Operations, and Policy and Programs. There were 27 FTEs on staff at the end of FY 2012, with all funded positions filled.

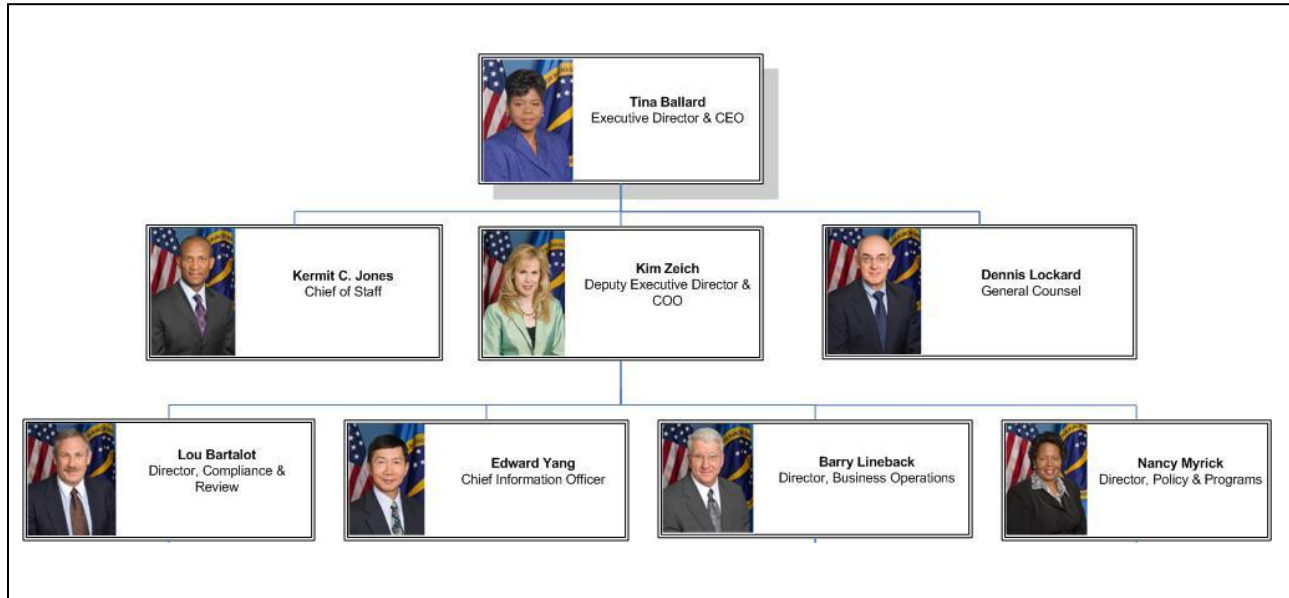


Figure 2. Committee Civil Service Personnel Organization Chart

Committee Meetings during FY 2012

The Committee transitioned to a quarterly meeting schedule, with full meetings scheduled once per calendar quarter, and special meetings as needed. Subcommittee meetings were held between full meetings. In FY 2012, the full Committee met on the following dates:

October 6, 2011
November 10, 2011
January 12, 2012
April 24, 2012
May 22, 2012
July 12, 2012

1.5. Scope of Responsibilities

In accordance with the Javits-Wagner-O'Day (JWOD) Act (41 U.S.C. §§ 8501-8506), the Committee 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 Committee leverages the purchasing power of the Federal Government, by directing the procurement of products and services that employ such persons. Over 50,000 individuals who are blind or significantly disabled have achieved employment through the AbilityOne Program, at more than 600 community-based nonprofit agencies nationwide. These individuals worked more than 49 million hours in 2011, and earned nearly \$600 million, plus fringe benefits.

Among the major statutory functions carried out by the Committee 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 -- 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 providing information on such items to Federal personnel through various publications and other means.
- Determining fair market prices for these products and services and revising prices in accordance with changing market conditions.
- Monitoring participating nonprofit agencies' compliance with the JWOD Act, Committee regulations and procedures.
- Assisting Federal agencies to expand procurement from nonprofit agencies participating in the AbilityOne Program, and monitoring the compliance of both with Committee 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: Cross-Agency Priority Goals

As a small agency specifically focused on the employment of people who are blind or have other significant disabilities, the Committee has not formally participated in the interim Cross-Agency Priority Goals released with the President's FY 2013 budget.

Section 3: Strategic Goals

The following strategic goals were established by the Committee and key stakeholders for the performance period FY 2010 – FY 2014, and apply to the entire AbilityOne Program. The central nonprofit agencies and AbilityOne participating nonprofit agencies are delivery partners in achieving these strategic goals. However, the Committee maintains responsibility for ensuring the strategic goals' implementation and measuring success.

Goal 1. Effective Stewardship

The Committee has 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.

Goal 2. Employee and Customer Satisfaction

To truly empower an individual, employment must provide personal satisfaction as well as financial income. While employee satisfaction is important in its own right, it is also a driver of customer service excellence. Ensuring the satisfaction and loyalty of Federal customers is equally critical to fulfilling the employment mission of the AbilityOne Program.

Goal 3. Employment Growth

To more effectively accomplish the intent, strategic direction and employment that are the foundation of the Javits-Wagner-O'Day Act, the AbilityOne Program must develop new markets and expand existing markets in which to fulfill customer requirements and expand employment opportunities that meet the needs of people who are blind or have other significant disabilities.

Goal 4. Business Excellence

As the Agency responsible for the effective administration of the AbilityOne Program, the Committee 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 process, (2) fair market pricing (FMP) policy and procedures, to include handling price impasses, and (3) the Central Nonprofit Agency (CNA) Fee determination process.

Section 4: Strategic Objectives

4.1. Strategic Objectives and Progress Updates

The AbilityOne Program, led by the Committee, has identified objectives for each strategic goal, which describe how the strategic goals will be achieved by the agency and its stakeholders.

Goal #1, Effective Stewardship, objectives and progress updates:

Objective 1. 100% of AbilityOne-participating nonprofit agencies achieve full compliance with all statutory and regulatory requirements by 2014.

While FY 2012 aggregate compliance-related data is not yet available, our review and analysis of third quarter data and trending enables the Committee to conclude that the percentage of nonprofit agencies in compliance with key statutory requirements will be 95% or higher. Final FY 2012 data will be reconciled and available in January 2012. A graphic representation is provided in the performance indicators section (Section 6.1).

The objective is for 100% of nonprofit agencies to be in full compliance each fiscal year, as the Committee has determined that no instances of noncompliance are acceptable. Unlike other aspects of the AbilityOne Program, where there are shared responsibilities, the Committee is solely responsible for determining nonprofit agency compliance. The Committee monitors compliance through on-site audits and by reviewing annual reports with certified data.

The Agency has implemented several strategies to enhance compliance efficiency and outcomes, such as using a statistically valid sampling method to allow a representative portion of records to be reviewed at each site with a high degree of reliability. Our information management system allows receipt of nonprofit agencies' self-certification reports electronically, facilitating review and identification of discrepancies. The Agency leveraged technical assistance visits made by its central nonprofit agencies to increase awareness and understanding of statutory and regulatory requirements. Feedback from such technical assistance visits, as well as annual data collected from AbilityOne participants, was used by the Committee staff to target locations that warrant site visits.

In FY 2012, the Committee revised and standardized its authorized data collection form used by nonprofit agencies to report certain aspects of compliance. The Committee also began training nonprofit agencies on the form's proper use, which will continue in early FY 2013. These steps are expected to increase accurate reporting and compliance with statutory requirements.

Objective 2. Effective AbilityOne Program advocacy.

This objective pertains to education and outreach, particularly by Committee members, to educate 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.

The Committee looks at sustainment of the percentage of AbilityOne products sold through the Federal Supply Schedules as one indicator of success for this objective (see chart in Section 6.1). Over the past five years, the data show that AbilityOne market share for office supplies through Schedule 75 has not eroded.

At the same time, advocacy includes establishing strategic alliances with educational institutions, Federal and commercial business partners, and expanding communications. Specifically, in FY 2012, communication tool kits were disseminated to each Committee member, to assist with their intra-agency education and advocacy. Several Committee members participated in awareness events and served on the AbilityOne Speakers Bureau, targeting Federal contracting personnel and program managers. The AbilityOne Program reached millions of viewers, listeners, readers and live audience members through local broadcasts, radio interviews, streamed media, newspapers, trade journals, special targeted presentations and web views.

The Committee determined that a key indicator of effective advocacy would be the number of Procurement List additions in new lines of business. This demonstrates Federal customers' confidence and willingness to expand their procurement of AbilityOne products and services, into new areas where AbilityOne does not yet have significant experience or market share. A graphic representation of this measure is provided in Section 6.1. In three of the last four years, over 30 percent of AbilityOne new work years have been achieved through new lines of business.

The Committee also continued to partner with the defense industry, most notably Northrop Grumman Corporation (NGC) and the Boeing Corporation, to support the growth and development of AbilityOne businesses and authorized nonprofit agencies. NGC and MVLE, an AbilityOne authorized nonprofit agency, took the lead in demonstrating the benefits of a DOD mentor-protégé agreement. Boeing continued its decades-long supplier relationship with Lighthouse for the Blind in Seattle. These relationships grow employment opportunities and build business acumen. The Defense Acquisition University (DAU) continued to provide basic contracting training to prepare AbilityOne employees for Contract Closeout work. Over 360 individuals who are blind or significantly disabled have graduated from DAU's CON 100 course since 2010; more than 100 of them are currently working on AbilityOne contract closeout projects, including 27 wounded warriors and veterans.

Goal #2, Employee and Customer Satisfaction, objectives and progress update:

Objective 1. Increase and sustain AbilityOne employee satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.

This objective is defined in the AbilityOne Strategic Plan as using professionally designed surveys and "listening post" interviews with AbilityOne direct labor employees to learn more about their job satisfaction and opportunities for improvement. The Committee and its central nonprofit agencies 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.

These results were then linked to the AbilityOne Quality Work Environment (QWE) Initiative. The QWE initiative reinforces choice, supports and workplace flexibilities; access to training; and a clear path to career advancement for AbilityOne workers who are blind or significantly disabled. 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. Accordingly, the Committee continues to promote the QWE initiative as a means to enhance AbilityOne employee satisfaction, and expects all participating nonprofit agencies to adopt the QWE initiative by 2015.

A graphic representation of QWE participation and outcomes is provided in the performance indicators section (Section 6.1). In FY 2012, the Committee worked with its central nonprofit agencies to provide leadership, education and encouragement to individual nonprofit agencies, to increase and support widespread adoption. New targets were established to reach 95% of all AbilityOne employees by the end of FY 2014, and the remaining employees by the end of 2015. Anecdotal results were collected and shared with the Committee during employee panels (“listening posts”) and in reports from the roll-out visits. The QWE’s effect on employee satisfaction will be evaluated in FY 2014, when updated survey results are received.

Objective 2. Increase and sustain AbilityOne Federal customer satisfaction through a continuous feedback process, followed by actions to integrate the feedback into program improvements.

This objective is defined in the AbilityOne Strategic Plan as using professionally designed surveys and “listening post” interviews with customers to learn more about their needs and how to enhance their overall AbilityOne experience. Enhanced customer satisfaction (at the buyer level and among end-users of products/services) will lead to new business being referred to the AbilityOne Program, which in turn facilitates the employment mission.

Contracting officer satisfaction, most recently measured in 2011, showed that 84% were satisfied or very satisfied with their AbilityOne experience. A graphic representation of this customer satisfaction research is provided in the performance indicators section (Section 6.1). Customers of the AbilityOne Program were also provided “listening post” opportunities at Department of Defense training events, on a more qualitative basis, with

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.

an average satisfaction score of 82%. However, in certain discrete elements of customer satisfaction, such as perceived AbilityOne price competitiveness, indicated potential room for improvement. During 2012, the Commission and its central nonprofit agencies identified specific customer sentiment related to pricing perceptions and sought to provide tools and education to all AbilityOne stakeholders to the standardization of pricing information and overall satisfaction with the pricing process. At the same time, the Commission explored methodologies to collect end-user satisfaction data in FY 2013.

Goal #3, Employment Growth, objectives and progress update:

Objective 1. Increase employment opportunities and quantity of work by AbilityOne Program employees by 2% per annum for products and 7% per annum for services through 2014.

AbilityOne employment is created and sustained through the delivery of products and services to the Federal Government. It is noteworthy that employment under the AbilityOne Program grew more than 6.5 percent during FY 2011, providing work to **50,580 individuals with disabilities** -- a record high. AbilityOne direct labor hours increased 2.5% in FY 2011 to surpass 49 million hours, and nearly \$560 million in wages were paid to individuals who are blind or significantly disabled as a result of the program.

The AbilityOne Strategic Plan has annual growth targets for both products and services in order to achieve overall employment growth. FY 2012 aggregate data is not yet available. However, comparing third quarter data for FY 2012 vs. FY 2011, and considering known external factors impacting program sales, the Committee projects that products-related and service-related employment will not reach the above targets by year's end. A graphic representation of this data (through FY 2012 third quarter) is provided in the performance indicators section (Section 6.1).

In FY 2012, post-war drawdown and overall Federal budget austerity caused significant reductions in AbilityOne Program products' sales, as well as some reductions in employment at the individual nonprofit agency level. New service requirements that began in FY 2012 helped offset reductions in existing AbilityOne services; however, at this time net results for services are projected to be flat at best. While maintaining as much of the AbilityOne book of business as possible, the program must continue to diversify and develop new employment opportunities to further offset budget cuts.

One leading indicator often considered by the Committee is the estimated employment created by Procurement List additions during the Fiscal Year. In FY 2012, approx. 1,205 FTEs were created, which may provide employment for up to 4,000 individuals, given that AbilityOne employees often work less than full time. This level was greater than the employment created in FY 2009, but less than the previous two fiscal years.

A special area of emphasis and success in FY 2012 was employment of wounded warriors and other veterans with disabilities, particularly in emerging lines of business such as contract closeout work. More than 3,000 AbilityOne employees nationwide were veterans, and about half of them were part of the AbilityOne Program's target population

– people who are blind or significantly disabled. By the end of FY 2012, approximately 25 percent of employees in the AbilityOne contract closeout line of business were wounded warriors or other veterans (27 out of 107 individuals.) Certain AbilityOne projects that began performance in FY 2012 employed a substantial veteran and wounded warrior workforce; for example, the Contact Center Services at U.S. Army Human Resources Command, Fort Knox.

Objective 2. Establish AbilityOne purchasing goals in all Federal agencies represented on the Committee.

The AbilityOne Program does not have statutory contracting goals like the small business preference programs. The Small Business Administration’s Procurement Scorecards, based on Federal Procurement Data System reports, show that preference programs with goals, even though established well after the AbilityOne Program, grew much larger and more quickly. The chart below shows sales for the AbilityOne Program, the HUBZone program and the Service Disabled Veteran Owned Business program – which were all below \$2M at the beginning of the last decade. However, the latter two programs experienced growth several times the size of the AbilityOne Program. As a result, HUBZone businesses received \$9.9B in contracting dollars in FY 2011, while Service Disabled Veteran Owned Small Businesses achieved \$11.2B. The newest preference program with a goal, Women Owned Small Businesses, achieved \$16.8B in FY 2011 (not on the chart, but would exceed the highest horizontal axis if included.)

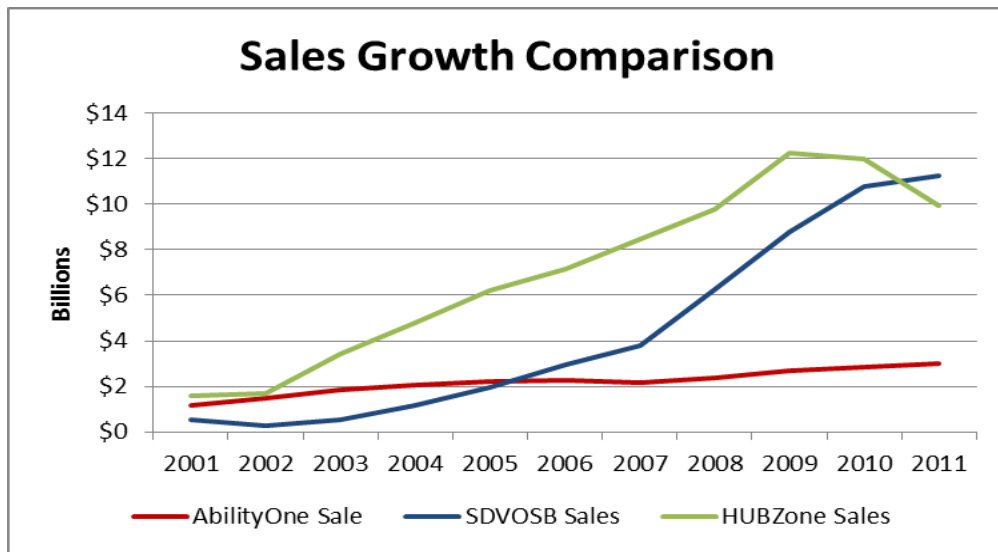


Figure 3. Federal Sales Growth Comparison (Source: FY 2011 SBA Scorecard).

On the other hand, AbilityOne sales were just short of \$3B in FY 2011, a very slight increase over sales of \$2.8B in FY 2010 and \$2.7B in FY 2009. Despite having mandatory source status, AbilityOne sales have been nearly flat. Accordingly, the AbilityOne Strategic Plan established an objective to seek voluntary purchasing goals, first among those Federal agencies represented on the Commission.

Currently, there is a voluntary goal in place with the U.S. Department of Agriculture, and there are Strategic Alliances in place with the General Services Administration – with both the Federal Acquisition Service and the Public Buildings Service. In 2008, the Department of Defense pledged to double its AbilityOne business over a five-year period, and through a Procurement List addition, made AbilityOne its strategic source for contract closeout services. However, the remaining agencies do not have voluntary goals. The Employment Growth Subcommittee charted the sales of each Federal agency represented on the Commission, and selected the agencies with the highest business potential. The leadership of the Employment Growth Subcommittee will meet with the individual members represented on the AbilityOne Commission during the second quarter of FY13 with the intent of establishing an agency goal for increasing AbilityOne projects in their respective Federal agencies.

Under Goal #4, Business Excellence, objectives and progress update:

Objective 1. Improve the Procurement List end-to-end process.

The Procurement List is the official listing of products and services the Committee has deemed suitable for delivery to the Government by AbilityOne nonprofit agencies, to create and sustain employment. Over the past three years, the Committee used Lean Six Sigma techniques to map and diagnose the Procurement List addition process, and implemented three solutions to reduce workload and cycle time, continuing into FY 2012. One solution, in particular, resulted in a 45 percent reduction in certain transactions that were customary, but did not add value to the process. A graphic representation of these results is provided in the performance indicators section (Section 6.1). A cycle time re-measurement will be executed using FY 2012 data, to gauge progress in this effort.

Objective 2. Improve the Fair Market Price (FMP) end-to-end process.

By statute, the Committee is responsible for establishing the fair market price (FMP) for products and services on the Procurement List. The process for developing initial prices and adjusting them over time is the focus of this strategic objective. In FY 2012, the Committee launched two studies related to pricing. The first is a typical Lean or process oriented study that will identify and reduce delays and redundant steps in AbilityOne pricing actions, to reduce cycle time. This effort involves documenting standard operating procedures to clarify the process requirements for all stakeholders. While the lean effort will continue into FY 2013, one of the Committee's central nonprofit agencies has already reported that its pricing-related rework decreased approx. 40 percent as a result of clearer standards being documented and disseminated.

The second initiative under this objective is a more substantive review of AbilityOne pricing, considering perceptions of price reasonableness and customer support in the price negotiation process. Using quantitative data from the most recent customer satisfaction survey, and qualitative data from customer interviews, the Committee identified the need for AbilityOne price proposals to be more comprehensive, to provide

more explanation and in general, to more closely resemble commercial price proposals. This will enable Contracting Officers to review and evaluate AbilityOne price proposals more efficiently. A standard (but customizable) pricing proposal template was initiated in FY 2012, and will be completed in FY 2013, to facilitate the negotiation process and to increase customers' satisfaction with AbilityOne price proposals.

Objective 3. Align Central Nonprofit Agency (CNA) Fee to core strategic goals of the AbilityOne Program.

This objective pertains to the Agency'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 Committee. In FY 2012, the Committee reviewed the CNAs' annual business plans, to evaluate the resources needed by and projected to be collected during the next fiscal year. These resources are to be used in providing technical and financial support to AbilityOne-participating nonprofit agencies and executing the CNAs' share of the AbilityOne strategic goals. The Committee considered the results from the previous fiscal year and the CNAs' plans to achieve results in the next year, and found that the current CNA fee ceilings remained appropriate. The Committee instituted quarterly dashboard reviews during FY 2012, to more closely monitor CNA performance with respect to the strategic goals. Through its Business Excellence Subcommittee, the Committee members were satisfied that the CNAs focused their resources on these strategic goals as well as the fulfillment of CNA duties in accordance with the Committee's regulations.

4.2. Major Management Challenges

Stewardship and compliance continued to be the most mission-critical elements of the AbilityOne Program in FY 2012. Ensuring that more than 600 participating nonprofit agencies are educated about the AbilityOne Program's unique statutory and regulatory requirements, and monitoring compliance with these requirements, is a large task for a small team to accomplish. The Committee must ensure that the nonprofit agencies' performance in delivering these products and services meets or exceeds the Government's requirements. Additionally, the Committee's responsibilities include facilitating Federal agencies' compliance with the mandatory source requirement to procure products and services on the Procurement List from the nonprofit agencies designated by the Committee. The CNAs provide support in some of these areas, but only the Committee can make the inherently governmental determination of compliance.

While FY 2011 showed an upward trend in employment, the preliminary data for FY 2012 does not indicate sustained employment growth. General budget austerity and specific war drawdown have impacted AbilityOne sales of products and services, which in turn impact the number of individuals who are blind or significantly disabled who can be employed on AbilityOne contracts. The Committee and its AbilityOne partners must focus on increasing employment through new lines of business to replace products that have reduced demand. Similarly, the AbilityOne Program must continue to expand the services it offers beyond traditional categories like custodial work, which is often reduced when funding shortfalls occur.

The Committee must continue to raise awareness, understanding and preference for the AbilityOne Program among government and other stakeholders who can positively impact the employment mission. One of the key messages the Committee must communicate is that the AbilityOne Program can be, and often is, a partner to small businesses. A voluntary survey conducted by the central nonprofit agencies found that in FY 2011, AbilityOne participating nonprofit agencies spent over \$320 million with small businesses in their communities, in subcontracts or raw material purchases. The AbilityOne Program and small business preference programs should not be viewed as competitors; however, that perception often exists. An unintended consequence of the strong emphasis on supporting small businesses is the decrease in support from some agencies for expanding AbilityOne Program opportunities.

Section 5: Agency Priority Goals

As a small agency specifically focused on one employment program (AbilityOne), the Committee’s current Strategic Plan does not distinguish between its Strategic Goals, of which there are four, and Agency Priority Goals. Please see Sections 3 and 4 above.

Section 6: Performance Indicators

6.1. Actual Performance Indicator Results

Goal #1: Effective Stewardship is measured by percentage of nonprofit agencies found in compliance with all statutory requirements. The level of nonprofit agency compliance, particularly with the Agency’s statutory direct labor ratio requirement, has remained at a very high level during the five-year period, averaging around 97 percent. Preliminary data for FY 2012 shows little change from the FY 2011 level. The Committee takes any percentage below 100% compliance very seriously. The reasons for this variance will be analyzed, and strategies to improve performance will be implemented.

	FY 2008 Results	FY 2009 Results	FY 2010 Results	FY 2011 Results	FY 2012 Preliminary
Nonprofits In Compliance	599/610	590/603	592/602	582/606	575/598
Percentage (Target 100%)	98%	98%	98%	96%	96%

Table 1. Fiscal Year 2007-2011 Stewardship/Compliance Results.

Another metric used by the Committee to indicate effective stewardship, in the context of advocacy for the program, is sustainment of AbilityOne sales through Federal Supply Schedule 75 for office supplies, a core AbilityOne product line. The chart below shows that AbilityOne office supplies sales remained very close to nine percent (9%) of this Schedule’s total sales across the five year period.

AbilityOne office supplies sales were just above the 9% average for FY 2012, indicating that AbilityOne market share through Schedule 75 did not erode. This does not indicate whether AbilityOne office supplies market share or sales decreased through other distribution channels.

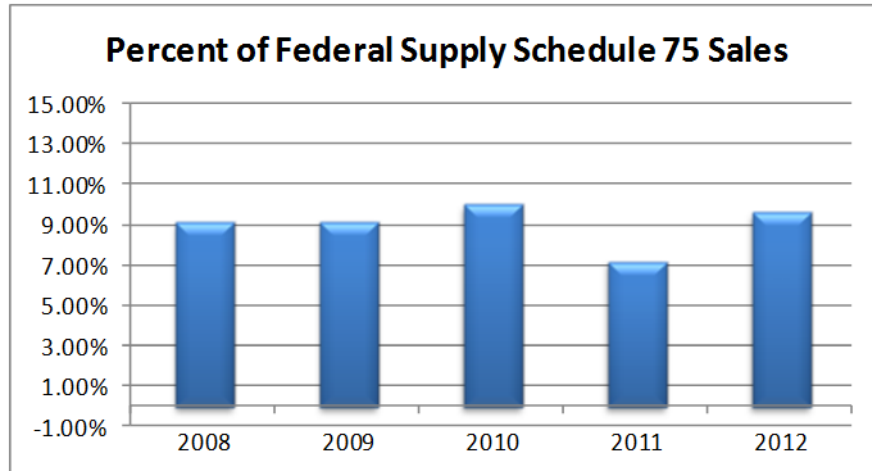


Figure 4. AbilityOne Sustainment of its Share of Schedule 75 Sales.

An additional metric the Commission tracks to indicate effective program advocacy is the percentage of total work years added to the Procurement List in new lines of business. As discussed in Section 4.1, this measure shows Federal customers' confidence and willingness to expand their procurement of AbilityOne products and services, into new areas. FY 2012 data shows that for three of the past four years, over 30% of job-creating Procurement List additions were attributable to the development of new lines of business.

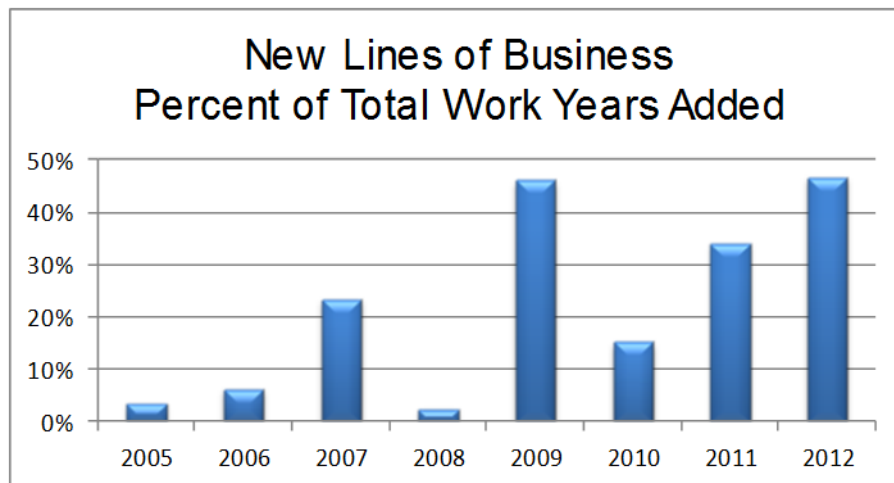


Figure 5. Percentage of Work Years Added Attributable to New Lines of Business

Goal #2: Employee and Customer Satisfaction are measured through survey results and progress toward full implementation of the AbilityOne Quality Work Environment (QWE) Initiative. To benchmark employee satisfaction, surveys of AbilityOne employees across the country were developed and implemented by the central nonprofit agencies using third party research expertise. Results for nine core job satisfaction elements measured of AbilityOne employees indicated an overall satisfaction level of 85 percent. Industry data for comparison was provided by the third party research firm working with National Industries for the Blind. The employee survey results summarized above revealed a high level of satisfaction by a majority of program participants. The data was analyzed and delivered in FY 2011, enabling its use in FY 2012 to identify areas where ongoing improvement efforts can be focused as part of the Quality Work Environment (QWE) continuous improvement process.

Core Element of Job Satisfaction	AbilityOne Employees Score	Industry Benchmark, if available
Receiving Supervisor Feedback	81%	72%
Managing my Job/Career	69%	65%
Training and Support	81%	67%
Access to Equipment	87%	N/A
Information on Outside Resources	62%	N/A
Cross Training Opportunities	72%	58%
Pay	69%	N/A
Safe Work Environment	90%	90%
Overall Satisfaction	85%	68%

Table 2. AbilityOne Employee Satisfaction Benchmark Scores (FY 2011)

Adoption of the QWE initiative has been embraced across the AbilityOne Program as a means to assess and enhance employee satisfaction. The Committee measures progress toward its target of full adoption and implementation through the percentage of nonprofit agencies involved in the different phases of QWE shown below, and the percentage of AbilityOne employees whose employers are in those phases of QWE implementation.

	AbilityOne Nonprofit Agencies		AbilityOne Employees
	#	%	%
Verbally Committed	305	50%	80%
Completed Self-Assessment	221	36%	66%
Developed Action Plan	179	29%	58%
Implementing Action Plan	179	29%	58%

Table 3. AbilityOne QWE Participation through September 30, 2012

The next objective under Goal #2 pertains to Federal customer satisfaction. Benchmark satisfaction data was gathered in FY 2011 from more than 300 randomly selected contracting officers, contract specialists and acquisition managers. 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. The overall satisfaction question, displayed below, was seen as the best proxy for the various aspects of customer satisfaction in combination.

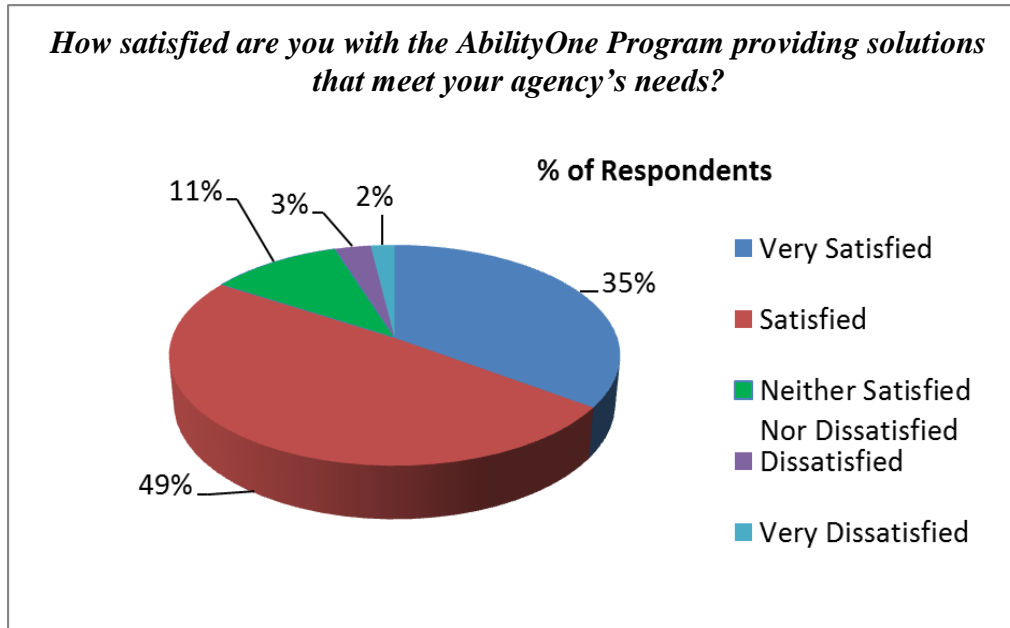


Figure 6. Overall Federal Customer Satisfaction metric with FY 2011 data

The Committee has several performance indicators for Goal #3: Employment Growth. The first is the number of Procurement List additions and associated new FTEs. This indicator is important, because Procurement List additions represent new work coming into the AbilityOne Program. The hours of employment associated with these additions are normally experienced in the following Fiscal Year. The data below shows that FY 2012 was just below the five-year average in terms of additions and FTEs created.

	FY 2008 Results	FY 2009 Results	FY 2010 Results	FY 2011 Results	FY 2012 Results	5-Year Average
PL Additions	133	115	169	151	140	142
New FTEs	696	1107	1865	1359	1205	1246

Table 4. Fiscal Year 2008-2012 Procurement List Additions

While Procurement List additions are an important indicator for future employment levels, the Committee pays particular attention to year-end employment results. As FY 2012 aggregate data is not yet available, below are the AbilityOne employment results from FY 2008 – 2011.

	FY 2008 Results	FY 2009 Results	FY 2010 Results	FY 2011 Results	Average Change 2008-2011
Hours	43.8 M	45.6 M	48.0 M	49.2 M	3.95%
Employees	43,388	45,936	47,427	50,580	5.26%
Wages	\$457 M	\$494 M	\$528 M	\$559 M	6.93%

Table 5. Fiscal Year 2008-2011 AbilityOne Employment Results.

Employment growth targets in the 2010-2014 Strategic Plan differ for products and services. The Committee's expectation was that it would be *more difficult* to realize increases in manufacturing than it would be to grow service positions; this was based on recent years' performance trends. Thus, the goal was to increase direct labor hours attributable to products by 2% per year, and to increase the direct labor hours for the performance of services by 7% per year. Granular data for products and services is found below, and shows that growth in products and services occurred, but not at levels expected by the Committee. In fact, products-related direct labor hours outpaced the Committee's expectation of 2% per year through FY 2011. On average, products hours grew nearly 5% per year over the past four years; however, the increase was more pronounced in FY 2009 and FY 2010. Conversely, services-related direct labor hours grew each year, but at a slower pace than expected by the Committee, averaging less than 4% per year. The Committee is working with its central nonprofit agencies to better understand these trends and to determine whether the targets should be adjusted in future years.

	2008	2009	2010	2011	Avg. Change 2008-2011
Product Hours	11,517,975	11,859,032	13,221,040	13,284,880	4.97%
Services Hours	32,254,489	33,788,937	34,828,711	36,003,915	3.71%

Table 6. FY 2008-2011 Growth in Direct Labor Hours by Products and Services

Finally, in evaluating performance and results, as aggregate FY 2012 data for total hours, employees, sales and wages are not yet available, the Committee considered a comparison of third quarter data for FY 2012 and the previous year as a snapshot and preliminary indication of year end data. The third quarter data shows that direct labor hours, individuals employed and sales were down in FY 2012 when compared to the same point in FY 2011. Based on discussions with the CNAs, the Committee does not believe that fourth quarter gains will offset these decreases for the year in its totality.

	FY 2011 Result	FY 2011 3rd Quarter	FY2012 3rd Quarter
Hours	49,288,796	33,649,256	32,827,727
People	50,580	47,108	45,589
Sales	\$2,981,611,860	\$2,183,511,340	\$2,107,953,902
Wages	\$599,147,300	\$413,243,078	\$420,648,086

Table 7. Third Quarter Comparison of FY 2011 and FY 2012 Employment Results

Goal #4: Business Excellence is measured, in part, by the reduction in cycle time achieved in the Committee’s mission-critical Procurement List (PL) process. Its cycle time was mapped and diagnosed in 2009, showing the “pessimistic” time from identification of an opportunity for proposed PL addition until the final effective date was more than 600 days. In today’s dynamic acquisition environment, this cycle time is much too long. Through the lean review and some immediate pay-off changes, cycle time was below 500 days when measured in 2010. The target is to continually reduce cycle time, to approximately 50% below the original measurement. The figure below also shows estimated cycle time after deployment of lean solutions in FY 2011 and FY 2012. A new cycle time measurement will be taken, based on FY 2012 transactions, to measure progress and evaluate the successfulness of Lean Six Sigma solutions.

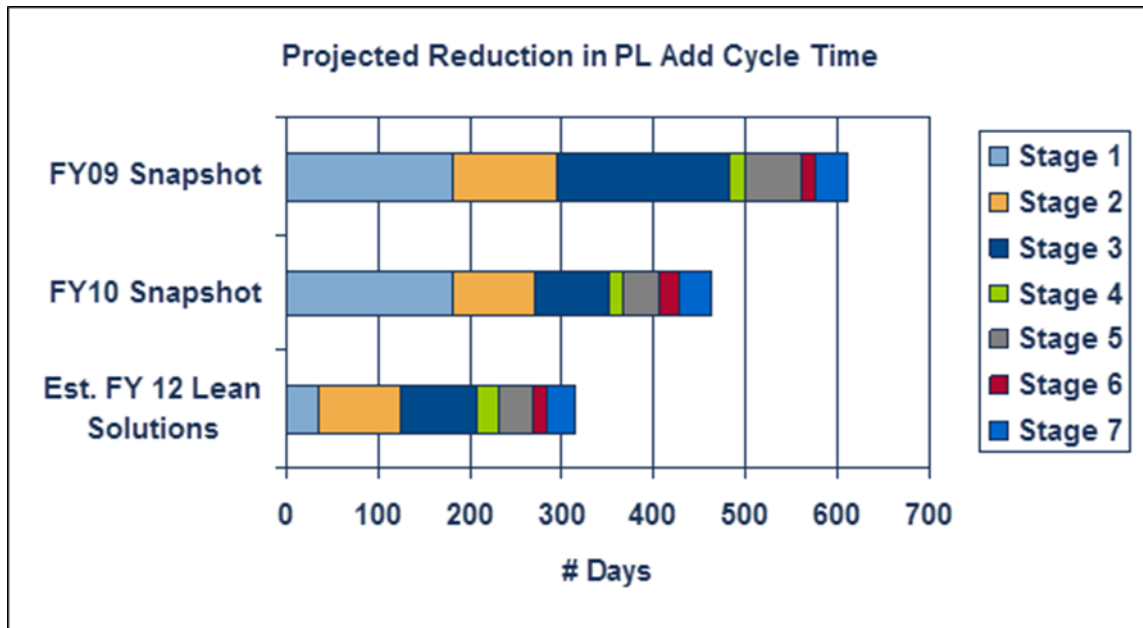


Table 7. Reduced Procurement List Addition Cycle Time

Two pricing studies launched in FY 2012, to be completed in FY 2013, will reduce cycle time among other benefits related to AbilityOne fair market pricing.

6.2. Performance Indicator Gaps

The four- and five-year data trends show some minor variances between the targets and the actual results for the Committee's Stewardship and Employment Growth goals.

The Stewardship goal and target is for 100% of AbilityOne nonprofit agencies to be in full compliance with the statutory requirements. The Committee believes that it would be inappropriate and send the wrong message to target any level below 100% compliance, recognizing that this standard is very ambitious. There are multiple issues and circumstances that can adversely affect a nonprofit agency's ratio, including unanticipated surges in demand for products/services or natural disasters that affect the availability of local AbilityOne workers. In FY 2011, 27 out of 606 nonprofit agencies were out of compliance, which means that 96% of nonprofit agencies were in compliance. The preliminary FY 2012 data, when normalized, indicates that 23 out of 598 nonprofit agencies will not achieve full compliance by the end of the year. While all of the reasons for noncompliance are still being collected and reviewed, this small percentage (again, approx. 4%) will be addressed by direct communication and education to minimize the potential for repeated noncompliance. Nonprofit agencies that are out of compliance for multiple years may lose their AbilityOne work and/or their eligibility to participate in the Program. The consequences for nonprofit agencies found out of compliance will be determined by the Committee in early FY 2013.

The targets established for employment growth at the outset of the AbilityOne Strategic Plan, which are 2% for products and 7% for services per year, were not achieved in FY 2011, and are not projected to be achieved in FY 2012. As discussed previously, the overall Federal budget austerity and military drawdown have caused reductions in the purchases of both products and services on the AbilityOne Procurement List. While many new years of work were created in the products and services areas, they were offset by losses in existing projects.

The committee will continue to expect and target 100% compliance by its nonprofit agencies. However, the Committee may revisit its product- and service-specific targets based on the data analysis and current forecasts.

6.3. Performance Future Actions

Section 4.1 discusses future strategies and tactics planned to achieve the strategic objectives. Each of the strategic goals has oversight by a subcommittee of the Presidential appointees serving on the Committee. These subcommittees will evaluate their progress toward achieving the strategic goals and objectives, and will make recommendations for revisions as needed to the goals and objectives for FY 2013-2014. Additionally, the subcommittees will identify their priorities for the remainder of FY 2013.

6.4. Changed Performance Goals or Indicators

No goals, objectives, measures or indicators have been changed since the establishment of the FY 2010 – 2014 Strategic Plan.

Section 7: Other Indicators

The Performance Indicators addressed in Section 6 are the primary indicators used by the Committee to evaluate the success of the AbilityOne Program. The Committee uses some intermediate and milestone measures to track progress in meeting certain strategic objectives, such as the number of compliance audits performed per year, and the number of lean studies launched and completed during the performance period; however, these actions lead to the results measured in the main performance indicators discussed in Section 6.

Section 8: Other Information

8.1 Cross Agency Collaborations

In many ways, the Committee itself is a cross agency collaboration, 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. As an independent agency, the Committee has also engaged in strategic cross agency collaborative efforts that support the AbilityOne mission. One primary cross agency collaboration has been with the Defense Acquisition University (DAU). The Committee and DAU have a Memorandum of Agreement that provides Committee staff and AbilityOne employees who are blind or significantly disabled access to DAU contracting courses. In particular, this agreement has enabled over 200 individuals who are blind or significantly disabled to become trained and prepared for employment in contract closeout activities. 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. In FY 2012, the Committee continued its decade's long partnership with the General Services Administration to deliver best value to mutual customers for AbilityOne products and services, and continued their highly productive collaboration with Department of Defense components who are the AbilityOne Program's largest customers. The Committee staff also participated in the Chief Information Officers Council Committee on Accessibility, given the alignment between the latter's purpose and the AbilityOne mission and vision.

8.2 Evaluation and Research

According to the American Evaluation Association, "Evaluation involves assessing the strengths and weaknesses of programs, policies, and organizations to improve their effectiveness. It provides a useful and important tool to address the need for credible information, well-grounded

decision making, and governmental transparency³.” The AbilityOne Program strategic goals and objectives were developed with considerable stakeholder input and transparency, to foster credibility and evaluation. The Committee relies on the program data it collects and original research to evaluate the AbilityOne Program’s progress and efficacy in achieving these objectives and goals. The Committee’s public meetings are largely devoted to review and discussion of program data, analysis of such data, and strategies to enhance performance. The Committee will explore a more formalized system of evaluation during FY 2013 to incorporate into the FY 2014 Strategic Planning process.

8.3 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 Committee’s compliance procedures and handbooks disseminated by the central nonprofit agencies. The Committee and the central nonprofit agencies utilize on-site audits and technical support visits to educate nonprofit agencies and verify that their collection techniques are valid and accurate.

The data must be verified by the head of the nonprofit agency and an officer of its Board of Directors. In addition, the data is initially provided to the central nonprofit agencies (NIB and NISH) for their review. The data will not be accepted if it is not complete or contains any discrepancies. The data is now generated and transmitted electronically to reduce the potential for errors in data entry. A senior officer from either NIB or NISH must sign off on the data, certifying it to be accurate to the best of his or her knowledge. Finally, the Committee 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.

8.4 Financial Information and Audit Report

The U.S. AbilityOne Commission’s FY 2012 Financial Audit is in the final phases of completion, and is expected to be provided as a supplement to this Performance and Accountability Report by November 30, 2012.

³ American Evaluation Association. An Evaluation Roadmap for a More Effective Government, September 2010. www.eval.org [retrieved January 6, 2012.]