

U.S. ABILITYONE COMMISSION

FISCAL YEAR 2013 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.



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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 48,000 Americans in this underserved segment of the nation's population. Through AbilityOne employment, employees 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.

It's important to note that while employment 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 below 30 percent for the 12-month period ending September 30, 2013, 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 mission implementation makes significant contributions to this goal. The Commission actively promotes the capabilities of people who are blind or significantly disabled, and directly generates and sustains employment through the addition of products and services to the AbilityOne Procurement List.

The AbilityOne Program's national network of participating nonprofit agencies is the single largest source of employment for this segment of the U.S. population. Individuals who are blind or significantly disabled 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 2013 Performance and Accountability Report (PAR) in accordance with OMB Circular A-11 Part 6 Section 210 (July 2013).

¹ U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Persons with a Disability: Labor Force Characteristics, and Table A., November 8, 2013 [retrieved November 12, 2013].

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 26 at the end of FY 2013. 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.

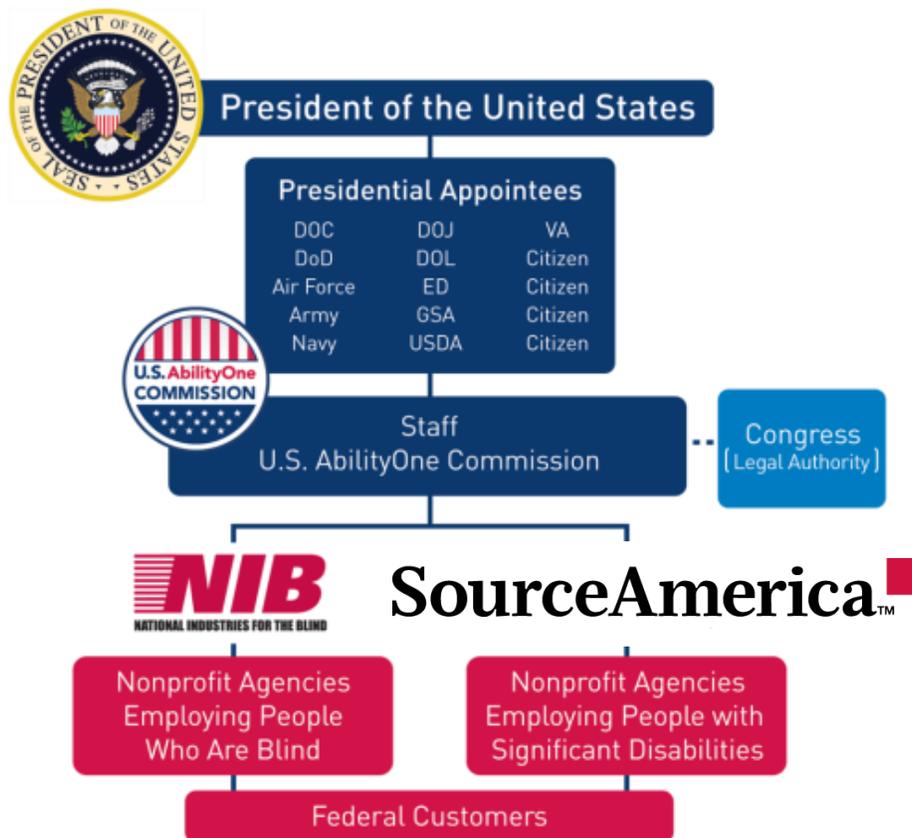


Figure 1. AbilityOne Program Fiscal Year 2013 Organizational Structure.

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 2013, 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 2013 follows.

1.5. U.S. AbilityOne Commission Members as of September 30, 2013

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

RADM Mark F. Heinrich

Commander, Naval Supply Systems Command

U.S. Department of the Navy

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

The Commission had one vacant position at the end of FY 2013, the *U.S. Department of Commerce* position.

1.6. U.S. AbilityOne Commission Staff as of September 30, 2013

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 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 26 FTEs on staff at the end of FY 2013.

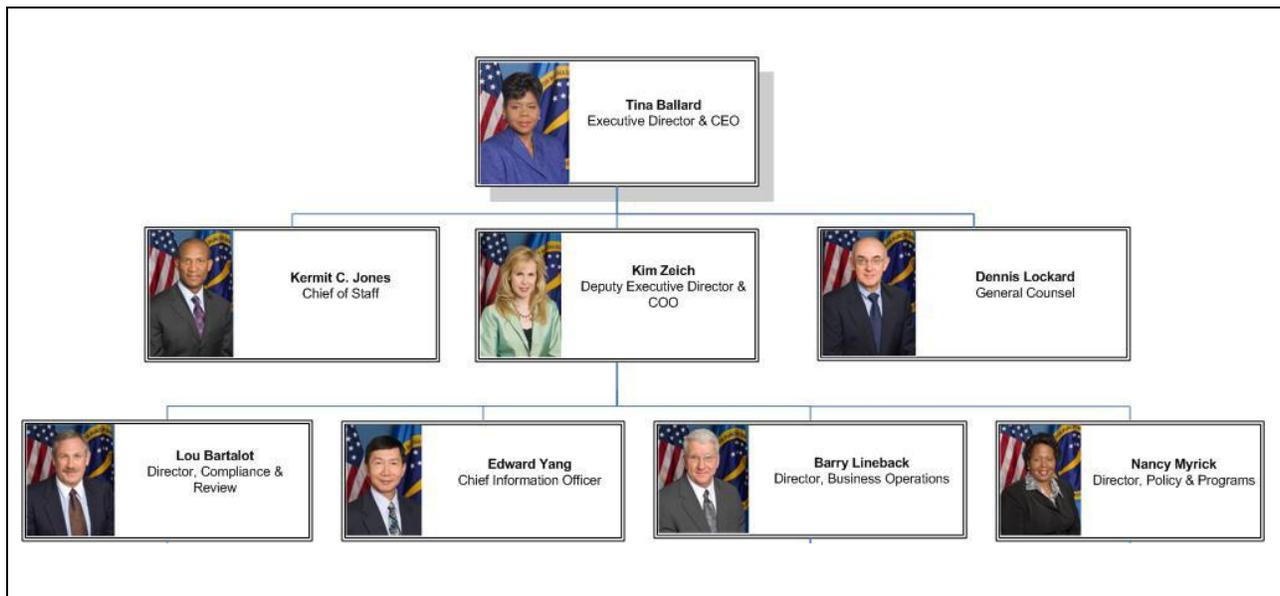


Figure 2. Commission Staff Senior Leaders Organization Chart

1.7. Commission Meetings

The Commission held meetings during FY 2013 on a quarterly schedule, with more frequent subcommittee meetings held virtually between the official meetings.

FY 2013 Meetings of the U.S. AbilityOne Commission:

October 25, 2012

January 10, 2013

April 25, 2013

July 11, 2013

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 48,000 individuals who are blind or significantly disabled have achieved employment through the AbilityOne Program, at nearly 600 community-based nonprofit agencies nationwide. These individuals worked more than 48 million hours in 2012, 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

The following strategic goals were established by the Commission and key stakeholders for the performance period FY 2010 – 2014, and apply to the entire AbilityOne Program. These goals are considered cornerstones supporting the AbilityOne Program’s mission execution, its current performance and its future. While the Commission is responsible for the direction and oversight of the Program, and monitors implementation of the Strategic Plan, the 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 strengthening and 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 financial income. The AbilityOne 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 48,000 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 will 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’s effective stewardship also involves working 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 that diminish AbilityOne employment opportunities.

Strategic Objective 2.2.1.

One hundred percent (100%) of AbilityOne-participating nonprofit agencies will achieve full compliance with all statutory and regulatory requirements by 2014.

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 threshold for or acceptable level of noncompliance. Unlike other aspects of the AbilityOne Program, where there are shared responsibilities with the CNAs, determining nonprofit agency compliance is an inherently governmental duty that is performed solely by the Commission. The Commission monitors nonprofit agency compliance through on-site audits and agencies’ annual reports with certified data. The CNAs do, however, provide technical assistance to their participating nonprofit agencies to educate and prepare them to attain the Commission’s compliance requirements.

The first measure of this objective has a very clear performance indicator, which is the number of nonprofit agencies found out of compliance with the statutory requirement to have a direct labor ratio of 75 percent or more hours performed by people who are blind or significantly disabled. Compliance is assessed based on a nonprofit agency’s cumulative data for the fiscal year, which is reported to the appropriate CNA and certified before it is submitted to the Commission. Accordingly, we are using FY 2013 preliminary data, the most recent available, which could change slightly after the Commission’s validation and verification process. There were 27 nonprofit agencies determined to be out of compliance with statutory requirements at the end of FY 2013. This represents 95.3% of the total 579 nonprofit agencies in the program.

	FY 2009 Results	FY 2010 Results	FY 2011 Results	FY 2012 Results	FY 2013 Preliminary
Nonprofits in Compliance	590/603	592/602	582/606	575/598	552/579
Percentage (Target 100%)	97.8%	98.3%	96.0%	96.2%	95.3%

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

The Commission continues to pursue its objective that 100% of nonprofit agencies achieve full compliance. We have analyzed the reasons for the nonprofit agencies' failure to meet ratio compliance in FY 2013, and the most frequent reasons can be categorized as follows:

- The nonprofit agencies' commercial (non-AbilityOne) contracts accrued too many direct labor hours by persons who were not blind or significantly disabled;
- The nonprofit agencies' decision to withdraw from the AbilityOne Program.
- The nonprofit agencies' management was not aware of or did not understand the AbilityOne requirements;
- The nonprofit agencies' Government (AbilityOne) contracts required more direct labor hours than could be provided by the current nonprofit agency workforce of persons who are blind or significantly disabled.

Under this objective, the Commission monitored the percentage of correction of deficiencies noted during compliance audits or reviews of the annual certification forms and data. With the exception of nonprofit agencies that were withdrawing from the AbilityOne Program, the Commission required all nonprofit agencies that were out of compliance to submit corrective action plans, which were reviewed by the Commission's compliance staff to ensure adequacy, then monitored on a quarterly basis. Three nonprofit agencies were required to appear before the Commission during FY 2013 to explain the circumstances that resulted in their noncompliance, and to explain how they will correct their shortfalls to achieve full compliance. Nonprofit agencies that cannot correct their deficiencies may have their AbilityOne contracts or program eligibility removed by the Commission.

Communication and preventative measures have been implemented to reduce the rate of noncompliance in FY 2014. The Commission staff provided both in-person and virtual trainings during FY 2013, 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-audit system that nonprofit agencies may use to educate themselves, test their levels of compliance and make improvements before their next official Commission compliance audit.

In previous years, the Commission included the number of on-site audits its staff completed among the measures for this objective, with a target of 20% of the participating nonprofit agencies, or approximately 120 agencies, being reviewed on-site each year. On-site reviews are the most robust, allowing for a greater two-way exchange of information, as well as greater opportunities to identify compliance-related findings. In light of budget austerity and sequestered funds, the Commission's travel was reduced, and for the third year, fewer on-site audits were performed than planned. In FY 2013, the Commission completed 60 on-site audits.

Strategic Objective 2.2.2.

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 disability employment policy. 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 2013 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.

One indicator of effective education, outreach and advocacy is Federal agencies’ willingness to support new AbilityOne procurement opportunities within their agencies. For example, our awareness surveys among Federal acquisition personnel and end-users show strong recognition of the AbilityOne name, and two of its key business lines: office supplies and custodial services. Through education and outreach, the Commission is informing Federal employees that AbilityOne offers a wide array of products and services, well beyond the traditional lines of business. AbilityOne “champions” have promoted the program’s capability to manufacture complex products, or to provide administrative support such as contract closeout services, which expand the market and opportunities for AbilityOne.

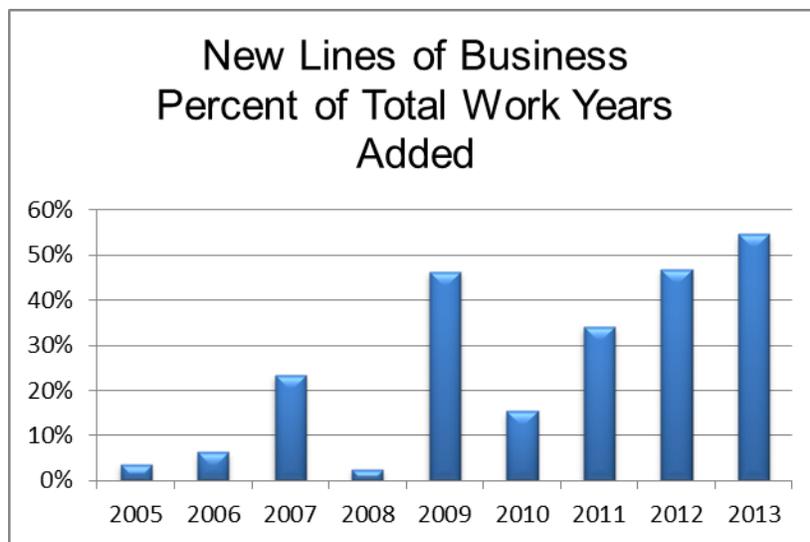


Figure 3. Percentage of Work Years Added Attributable to New Lines of Business

Thus, a quantitative measure used by the Commission is the percentage of total work years (full-time equivalent positions) added to the Procurement List in new lines of business. FY 2013 data shows that projects totaling 531 full-time equivalents were added in new lines of business, which was 54.7% of the total work years added in FY 2013. This is the fourth year in a trend for increasingly adding work to the Procurement List in new lines of business.

The final performance indicator for the program advocacy objective is sustainment of AbilityOne sales and market share through the General Services Administration's (GSA) Federal Supply Schedule 75 for office supplies, a core AbilityOne product line. The Commission tracks the percentage of AbilityOne sales among this Schedule's total office product sales as an indicator of customers' and distributors' compliance with the mandatory source purchasing requirements. Since FY 2008, AbilityOne office supplies have historically been about nine percent of the total GSA Schedule 75 sales. While FY 2013 data is not yet available, in FY 2012, AbilityOne office product sales through Schedule 75 were slightly above their five-year average percentage.

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.

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 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.

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.

The AbilityOne employee surveys were developed and implemented by the CNAs using third party 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 revealed a high level of satisfaction by a majority of program participants. This benchmark data from FY 2011 was used for the next two years to identify opportunities for focus under the Quality Work Environment (QWE) continuous improvement process. Employee satisfaction was re-surveyed in FY 2013; the results are pending at this time.

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)

The AbilityOne Employee Satisfaction survey benchmark results have been linked to the QWE initiative, which is measured below. The Quality Work Environment (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. Adoption of the QWE initiative has been embraced across the AbilityOne Program as a means to enhance employee satisfaction.

The Commission measures progress toward its target of 100% voluntary participation in two ways. Since 2012, the primary measure has been the percentage of AbilityOne employees whose employers are in the phases of QWE implementation shown below. The focus on the percentage of employees, versus the number of nonprofit agencies, recognizes that nonprofit agencies vary widely in size and scope, and the focus of QWE is on employees themselves. Accordingly, the most important indicator of QWE implementation is the percentage of AbilityOne employees covered. Nevertheless, the number/percentage of nonprofit agencies involved in the different phases of QWE is another way to track attainment of the Commission’s target of full participation by all AbilityOne employers, and is among the data captured in the table below.

	AbilityOne Employees 9/30/2013	AbilityOne Employees 9/30/2012	Increase in Employees Covered 2013 vs. 2012	# NPAs Participating 9/30/2013	Increase in NPAs Participating 9/30/2013
Completed Self-Assessment	75%	66%	9%	280	10%
Developed Action Plan	67%	58%	9%	208	5%
Implementing Action Plan	67%	58%	9%	208	5%
Completed 1 st Round/ Working 2 nd or 3 rd Round	3%	12%	9%	46	6%

Table 3. AbilityOne QWE Participation through September 30, 2013

At the end of FY 2013, the reach and employee coverage of QWE had increased by nine percent across each of the categories measured. The actual number of nonprofit agencies (NPAs) participating, from a universe of 593, increased 10 percent at the self-assessment level, and approximately five percent at the action plan level. These results place the AbilityOne Program on track to meet the Commission’s milestones for 2014, and its revised expectation that 95% of AbilityOne employees will be covered by the QWE initiative at the end of 2015. While acknowledging that the resources and support necessary to implement QWE are becoming more scarce in the austere budget environment, the Commission continues to expect full (100%) participation in QWE and has extended the timeline for achievement.

The QWE initiative is a true highlight for the AbilityOne Program. In addition to correlating with employee satisfaction data, we have numerous anecdotal stories illustrating how QWE increases employee engagement, empowers employee decision-making and promotes upward mobility. QWE implementation remains a top priority; the Commission is exploring strategies to facilitate and encourage participation among nonprofit agencies that have not yet implemented it. While voluntary adoptions remains the Commission’s preferred approach and current strategy, it 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 2014 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.

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. The Program has segmented customer satisfaction into two key groups – the contracting officer level (responsible for executing procurements) and the end-users of AbilityOne products and services. Satisfying both groups is important in order to foster referrals and additional business for the AbilityOne Program, which in turn facilitates the employment mission.

Contracting officer satisfaction was measured via survey in 2011, which revealed that **84%** were satisfied or very satisfied with their AbilityOne experience. This benchmark data was gathered 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.

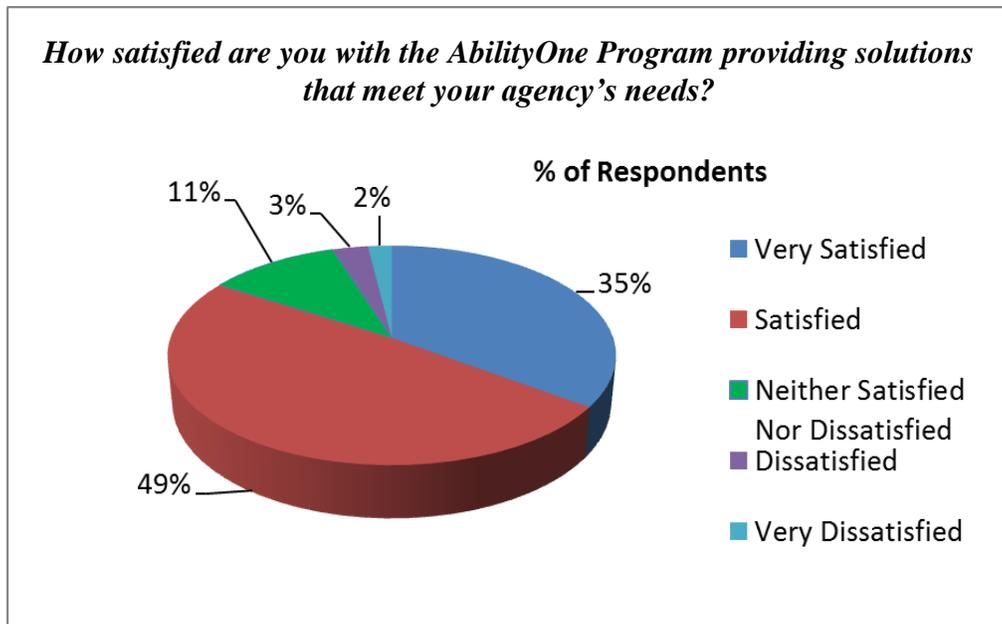


Figure 4. Overall Contracting Professional Satisfaction with AbilityOne (FY 2011)

Contracting professionals who had made awards under the AbilityOne Program were also provided “listening post” opportunities at Department of Defense training events and reported an average satisfaction level of 82%. In certain discrete elements of customer satisfaction, such as their perception of AbilityOne price competitiveness, the contracting professionals indicated opportunities for improvement. The Commission and its CNAs used this feedback to further study AbilityOne pricing drivers and to develop strategies that will improve the competitiveness of AbilityOne prices. These include a study of distributor mark-ups on AbilityOne products and a concerted effort to increase productivity levels on AbilityOne custodial contracts.

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. The survey was deployed on Monday, July 15, 2013 and closed on Monday, August 19, 2013. Its objectives were:

- To increase awareness and gather feedback from Federal end-users about their satisfaction with AbilityOne products and services;
- To identify Program strengths and opportunities for improvement;
- To leverage strengths and develop actions to address opportunities for improvement; and

- To develop a repeatable process to collect federal customer end-user feedback

In light of the challenges associated with reaching end-users of AbilityOne products and services directly, the Commission identified surrogates for end-users as individuals who deal directly with end-users but may or may not be end-users themselves. Surrogates for end-users are purchasers of AbilityOne items who have an understanding of the contract requirements. They are in a position to speak to issues of satisfaction based on information they receive from the end-users. Examples of surrogates for end-users include, but are not limited to, individuals such as building managers, the official responsible for administrative services at a Federal agency, or the purchase cardholder who buys office supplies for her/his office. Among the 2,100-plus complete responses to the FAI-issued survey, approx. 700 identified themselves as end-users.

While in-depth analysis of the survey results remains underway, some preliminary results have been reported. The survey indicated end-users have the most familiarity with AbilityOne product lines such as general office supplies, writing instruments and office furnishings, and reported using GSA Advantage (online) as their primary means to purchase AbilityOne products. The end-users were most familiar with AbilityOne services in the custodial, administrative support and grounds maintenance lines of business. The responses showed that end-users are generally familiar with the AbilityOne employment mission and cite it as a primary reason they support the program, followed by ease of use, reasonable pricing, quality and customer service. Detailed analysis on respondent's highest priority criteria for future purchases and the barriers they identified to purchasing more from the AbilityOne Program will be completed in early FY 2014 and used during the rest of the year and FY 2015 to target opportunities for improvement.

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 both discrete 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 Federal Government, our growth strategies revolve around increasing Federal agencies' procurement of these items.

Strategic Objective 2.4.1.

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.

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.

In FY 2012, the most recent year for which data has been compiled, there was a net loss of jobs by AbilityOne nonprofit agencies for the first time in five years. From a record high of more than 50,000 jobs, the program counted just over 48,800 jobs in FY 2012.

	FY 2012 Result	% Change	Non- AbilityOne Change
Hours	47,708,432	-3.21%	-4.61%
People	48,816	-3.49%	-4.98
Promotions	1,016	-11.19%	-17%
Placements	2,148	3.12%	-6.35%
Wages	\$557,739,822	-0.25%	N/A
Sales	\$2,860,277,632	-4.07%	0.76%

Table 4. AbilityOne Program Employment Data through September 30, 2012

Quarterly as well as anecdotal reports during FY 2013 lead us to estimate another net loss in jobs at the end of FY 2013 when the annual data is reconciled. The manufacturing line of business was the most negatively affected; particularly military unique clothing and equipment. This work grew quickly during the build-up and surge of military activity, but has plummeted in the past two 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.

While AbilityOne services in the aggregate have experienced less of decline, there are numerous examples across the Program of jobs lost on a project-level basis. Budget shortfalls have caused Contracting Officers across the Government to de-scope their requirements and renegotiate prices, often multiple times, to cover fewer labor hours. Some service requirements have returned to performance by Government employees, and others have been allowed to lapse altogether, due to lack of funds. By September 30, 2013, AbilityOne nonprofit agencies nationwide reported over 2,600 lay-offs, with the potential for hundreds of additional individuals being laid off. Other nonprofit agency employees’ hours were severely reduced, impacting their work schedules, wages and benefits.

One leading indicator often considered by the Commission is the estimated employment created by Procurement List additions during the Fiscal Year. In FY 2013, approx. 971 FTEs were

created, which may provide employment for up to 1,930 individuals, given that AbilityOne employees often work less than full time. While the number of addition actions increased over the previous year, the quantity of new jobs created decreased in FY 2013, compared to the FY 2012 results. On average, smaller projects were added to the Procurement List in FY 2013.

	FY 2009 Results	FY 2010 Results	FY 2011 Results	FY 2012 Results	FY 2013 Results	5-Year Average
PL Additions	115	169	151	140	156	154
New FTEs	1107	1865	1359	1205	970	1350

Table 5. Fiscal Year 2008-2013 Procurement List Additions

The AbilityOne Program continued to emphasize employment opportunities for wounded warriors and other veterans with disabilities in FY 2013, 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.

The Commission will revisit and most likely revise its targets of two percent growth per year for AbilityOne products and seven percent growth per year for AbilityOne services. While these targets were relevant in the previous five-year period, they are lagging indicators that do not provide insights into the underlying conditions that need to be addressed if the targets are missed and AbilityOne employment does not grow as anticipated.

Strategic Objective 2.4.2.

Establish AbilityOne purchasing goals in all Federal agencies represented on the Commission.

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 those established well after the AbilityOne Program, grew much larger and more quickly. The original enabling legislation for the AbilityOne Program was the Wagner-O’Day Act of 1938. The Small Business Act was originally passed in 1953. Since then, several small business preference programs with goals have been added to the Federal acquisition landscape.

Looking at the most recent data available, the Federal Government’s total Small Business expenditure at the prime contractor level in FY 2012 was nearly \$90B. HUBZone businesses received \$8.1B in contracting dollars in FY 2012, while Service Disabled Veteran Owned Small Businesses achieved \$12.3B. The newest preference program with a goal, Women Owned Small Businesses, achieved \$16.2B in FY 2012. On the other hand, AbilityOne sales have yet to exceed \$3B. Despite having mandatory source status, AbilityOne sales have been flat to slightly lower for the past three years. These results point to the need for AbilityOne purchasing goals to support the Employment Growth strategic goal.

While the most effective way to establish AbilityOne purchasing goals would be statutory change, no such language has been proposed in recent years. Accordingly, the AbilityOne Strategic Plan for FY 2010-2014 established an objective to seek voluntary purchasing goals, first among those Federal agencies represented on the Commission. In practice, voluntary goals are not easily established, as there is no statutory or regulatory guidance to do so. Nevertheless, six of the eleven Federal agencies represented on the Commission have some type of voluntary goal in place to increase AbilityOne purchasing, as discussed below.

The U.S. Department of Agriculture (USDA) and Department of Defense (DOD) established voluntary AbilityOne purchasing goals approximately five years ago with differing terms. The USDA's goal is to increase AbilityOne purchasing by one-half percent each year, while the DOD goal is to double AbilityOne business over a five-year period. The military services represented on the Commission (Departments of Air Force, Army and Navy) contribute to and generally follow the Department of Defense goal. The General Services Administration (GSA) has a Strategic Alliance with the AbilityOne Program to expand employment opportunities within the Public Buildings Service's facilities-related requirements.

The Commission and Central Nonprofit Agencies have continued to pursue and recommend purchasing goals or alliances with other Federal agencies represented on the Commission; however, some agencies have their own procurement preference objectives, and others have very limited spending in the types of products and services furnished under the AbilityOne Program. The Commission will revisit this specific objective and measure in its updated strategic planning.

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 50% during the period of the Strategic Plan. The baseline or initial snapshot of likely PL addition cycle time 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. 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 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. The most significant delays and wait time yet to be addressed take place in the pricing/costing development and negotiation phase, which is discussed in Strategic Objective 2.5.2 below.

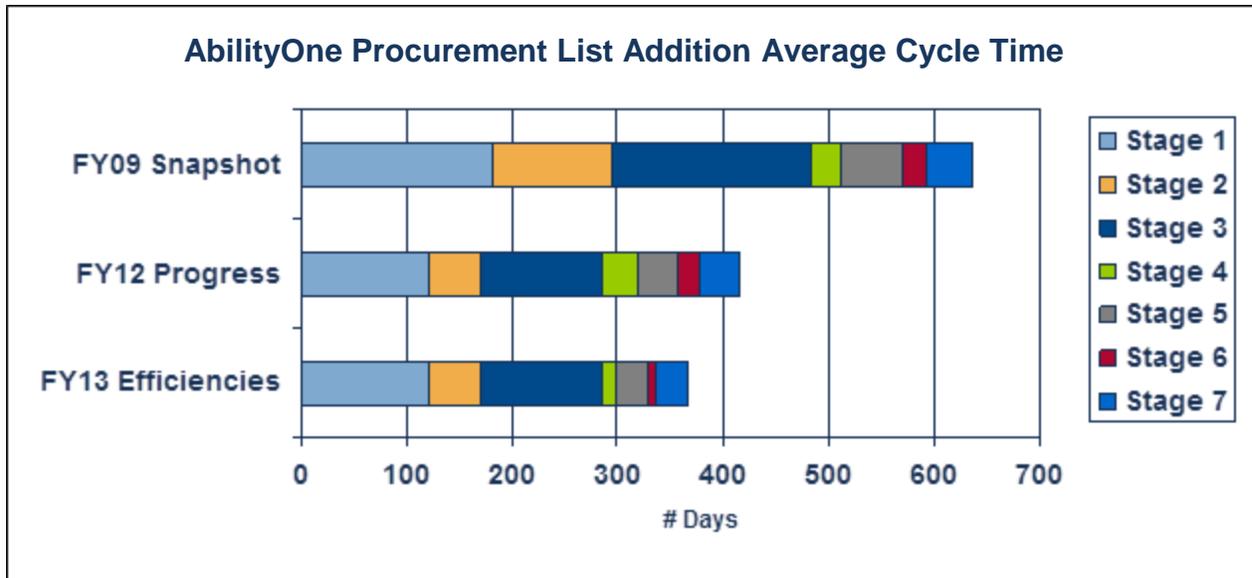


Figure 6. Procurement List Cycle Time FY 2009 – FY 2013

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 – it is 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. A pricing working group was formed to study the process delays and develop solutions that will result in cycle time reductions without sacrificing the quality of the work or reviews. In FY 2013, the team evaluated the most frequent reasons for proposed pricing rejections, issued a standard operating procedures (SOP) manual in May 2013 to clarify and standardize the requirements for price-related transactions and conducted training. Ensuring that appropriate pricing documentation is provided up-front will prevent time-consuming rejections and re-work. A re-measurement of pricing cycle time will be taken in FY 2014 to gauge improvements since the SOP manual was released.

Transparency and price competitiveness relate to the Commission’s oversight of the AbilityOne Program. In FY 2013, the Government Accountability Office (GAO) issued a report [GAO-13-457] which recommended that the Commission increase the transparency in AbilityOne pricing policies, procedures and practices, and ensure timely reporting of price changes in the field. The Commission has adopted the GAO recommendations. In FY 2013, the

Commission staff reviewed all pricing policies and procedures, noted gaps such as market research guidelines and drafted updates or new procedures to be released in FY 2014. Additional steps to implement the GAO recommendations include implementing a system that identifies PL prices that are due for renewal and proactively seek updates, which will then be submitted in a more timely manner for Commission review and approval.

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 2013, 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' responsibilities in the implementation of the AbilityOne strategic goals. The Commission considered the results from FY 2012 and the CNAs' plans to achieve results in FY 2014, and found that the current CNA fee ceilings (3.9% for National Industries for the Blind and 3.85% for SourceAmerica) are appropriate and will remain in effect for FY 2014.

The Commission instituted quarterly dashboard reviews during FY 2012, and continued this practice in FY 2013. The dashboard reviews allow the Commission, through its Business Excellence Subcommittee, to more closely monitor CNA performance with respect to achieving the strategic goals at four points during the fiscal year. The Business Excellence Subcommittee was satisfied in FY 2013 that the CNAs focused their resources on the AbilityOne strategic goals as well as the fulfillment of CNA duties in accordance with the Commission's regulations. The Business Excellence Subcommittee will undertake a comprehensive review of the CNA business plans and resource requirements during FY 2014, to be effective for a multi-year period beginning in FY 2015.

Section 3: Other Information

3.1. Major Management Priorities and Challenges

Three particular management priorities and challenges emerged during FY 2013 that align with the AbilityOne Strategic Plan goals and objectives. These are:

- 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 July 2013, more than 2,600 individuals who are blind or significantly disabled and working on AbilityOne contracts had been laid off, at least temporarily, and others had their work hours reduced. The decrease in business is also attributable to other factors such as the military drawdown of equipment and supplies and general budget austerity, but coupled with the Sequester, it was a very difficult year for AbilityOne employers and employees alike.

Almost weekly, the Commission was asked to intervene and preserve jobs on behalf of one or more of the nonprofit agencies that were experiencing a sharp downturn in orders. The Commission engaged where appropriate, to ensure that the products or services were not being purchased outside of the designated AbilityOne source. The Commission met with key customers to determine why sales had decreased, and sought corrective action when it found “essentially the same” products being purchased in lieu of AbilityOne items. Recognizing the funding shortfalls and decrease in spending across the Government, the Commission also sought to identify and bring new work into the AbilityOne Program as quickly as possible. These challenges and potential solutions will be further discussed in a strategic and operational planning session with Commission members and key stakeholders in early FY 2014.

In June 2013, the Commission launched three working groups to study the key inputs, criteria and practices related to the Procurement List decision-making process, and to identify opportunities to strengthen this process. The Definition, Suitability and Process (DSP) Review Group’s effort brings additional perspectives and objectives to the Procurement List-related improvement efforts taking place under the Business Excellence goal. While the Business Excellence focus is efficiency (reduced cycle time) and effectiveness, and these remain important, the DSP Review Group’s objectives are to look at the substantive information involved in the Procurement List decision-making process. They will focus on how to ensure that the process is well-documented, closely aligned with standard Federal acquisition practices and inclusive of all pertinent information to support a Commission decision.

The final management priority that emerged in FY 2013 is implementation of the recommendations made in GAO Report 13-457. The report was delivered on May 30, 2013, and examined how the Commission: (1) Directs and oversees the CNAs; (2) Adds products and services to the program and assigns affiliates to provide them; and (3) Prices program projects. The GAO made two recommendations to the Commission Chairperson.

First, GAO recommended, “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 CNA within reasonable established time frames, such as within 18 months. The agreements should establish key expectations for each CNA and mechanisms for the Commission to oversee their implementation and could cover, among other things: (1) expenditures of funds, (2) performance goals and targets, (3) governance standards and other internal controls to prevent fraud, waste, and abuse, (4) access to data and records, (5) consequences for not meeting expectations, and (6) provisions for updating the agreement.”

The Commission concurred with the recommendation, and will establish a written agreement with each CNA based on the publication of regulations, policy and procedure. At a minimum, the written agreement will encompass the six areas itemized by GAO in the report. The anticipated completion date for the written agreements is within in 18-24 months of the release of GAO-13-457. This schedule is based on concurrent implementation of recommendations and the requirements of notice-and-comment rulemaking.

Second, GAO recommended, “To further improve oversight and transparency in the AbilityOne Program, the Chairperson of the Commission should (1) routinely obtain CNA audits, reports of alleged misconduct or other internal controls violations, and information on corrective actions taken, (2) better ensure that the CNAs’ processes of assigning projects to affiliated agencies result in a transparent and equitable distribution, (3) develop written procedures for how Commission staff review pricing packages and clearly communicate these procedures to affiliates and the CNAs and (4) require CNAs to provide current pricing information to enable the Commission to better identify instances where current prices differ from approved prices.”

The Commission concurred with the recommendation, and will establish or enhance and disseminate policies and procedures regarding CNA oversight and internal controls, assignment and allocation processes, pricing reviews and identification of nonconforming prices. The anticipated completion date for these policies and procedures is by the end of FY 2014.

3.2 Cross Agency Priority Goals and Collaborations

As a small agency specifically focused on the employment of people who are blind or have other significant disabilities, the Commission has not formally participated in the interim Cross-Agency Priority Goals released with the President’s FY 2013 budget. The public can visit www.Performance.gov for other Federal agencies’ contributions to the Cross-Agency Priority Goals, where applicable.

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. 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 considerable 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. In terms of transparency, the Commission's public meetings are largely devoted to review and discussion of program data, analysis of such data, and strategies to enhance performance.

In FY 2013, the Commission again engaged key stakeholders to conduct a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the AbilityOne Program's performance against its Strategic Goals, to be used in the FY 2014 Strategic Planning process. The Commission will continue to build in data-driven indicators and to evaluate its implementation of its strategic goals and objectives, in order to correct course as needed.

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 2013 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 December 31, 2013.