

# GAO Highlights

Highlights of [GAO-13-457](#), a report to the Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

In 1938, Congress created a program providing employment opportunities for people who are blind and expanded it in 1971 to include people with severe disabilities. Now known as AbilityOne, the program's public-private structure consists of the federal, independent U.S. AbilityOne Commission (15 part-time presidentially-appointed members supported by 27 staff) to oversee the program; two central nonprofit agencies (CNAs) to administer much of the program; and hundreds of affiliated nonprofit companies employing people who are blind or severely disabled to provide products and services to federal agencies. Federal agencies are generally required to purchase such products and services through the program.

GAO examined how the AbilityOne Commission: (1) directs and oversees the CNAs; (2) adds products and services (hereafter called projects) to the program and assigns affiliates to provide them; and (3) prices program projects. GAO reviewed policies, procedures, relevant federal laws and regulations, and other documents; interviewed CNA and AbilityOne officials; held five focus groups with affiliates; and analyzed data on program products, services, and pricing reviews.

## What GAO Recommends

We are presenting a matter for Congressional consideration to establish an inspector general and several recommendations to the Commission to enhance program oversight. The Commission and CNAs agreed with our recommendations, but disagreed with several findings or provided additional information, which we incorporated as appropriate.

View [GAO-13-457](#). For more information, contact Andrew Sherrill at (202) 512-7215 or [sherrilla@gao.gov](mailto:sherrilla@gao.gov).

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## EMPLOYING PEOPLE WITH BLINDNESS OR SEVERE DISABILITIES:

### Enhanced Oversight of the AbilityOne Program Needed

#### What GAO Found

Federal agencies need to exercise strong oversight to promote effectiveness and efficiency and prevent waste, fraud, and abuse—especially in a federal procurement program such as this, which is exempt from full and open competition requirements. However, although the AbilityOne Commission is ultimately responsible for overseeing the program, the Commission cannot control how CNAs (1) spend their funds, (2) set and manage their performance goals, or (3) set and implement governance policies and other internal controls. The Commission's authority to direct CNA budget priorities—including how much they compensate their executives and the level and growth of their reserves—is limited. As independent entities, the CNAs are responsible for determining their spending. Most of their money comes from fees they charge their affiliates as a percent of revenue earned from AbilityOne contracts. Moreover, the Commission does not have sufficient authority to set CNA performance and governance standards, so it depends on the CNAs to set and enforce such standards. Although the CNAs have instituted their own internal controls, the Commission does not have procedures to monitor alleged CNA control violations, nor is there an inspector general to provide independent audit and investigative capabilities for the program, including at the CNAs.

The AbilityOne Commission is responsible for determining which products and services can be suitably provided by the program. It delegates to the CNAs most of the responsibility for deciding which affiliates should develop and provide these projects. According to CNA and affiliate officials, the CNAs often do not fully disclose how they make these decisions. This limited transparency could increase the risk of biased decisions because CNA officials have wide latitude in determining which affiliate should be awarded a project. Although AbilityOne Commission officials have acknowledged the importance of transparency and equity in assigning projects, they have done little to indicate how these outcomes can be achieved.

The Commission has statutory responsibility for determining the fair market price of projects in the program, but: (1) its written pricing review policies and procedures are limited and (2) it does not have sufficient internal controls to ensure that prices are appropriately revised over time. The Commission sets procedures that encourage affiliates and federal customers to negotiate prices that reflect the market. Although Commission staff review these prices in accordance with written policies and procedures, they acknowledged that these instructions are not sufficiently explicit or transparent. Such limitations can make it difficult for the CNAs and affiliates to understand the Commission's pricing review procedures and, by extension, its reasons for rejecting prices. This lack of understanding may partially explain the 77 percent rejection rate for initial pricing packages. Commission policy also states that CNAs submit for Commission review any request for adjusting the price of a project beyond a single contract period that does not conform with the prior Commission-approved mechanism. Occasionally customers and affiliates implement non-conforming price revisions without requesting Commission approval. This negates the Commission's internal controls for ensuring fair market prices and results in the Commission not knowing the actual price being charged. Neither the AbilityOne Commission nor the CNAs have procedures in place to systematically identify such instances.