June 30, 2021

FOR: Jeffrey A. Koses  
Chairperson  
U.S. AbilityOne Commission

FROM: Thomas K. Lehrich  
Inspector General  
U.S. AbilityOne Commission

SUBJECT: Biennial Audit Plan for Fiscal Years 2022–2023

We are pleased to provide the Office of Inspector General (OIG) risk-based Biennial Audit Plan for Fiscal Years (FY) 2022–2023. The OIG Biennial Audit Plan includes eight statutorily mandated audits and eight discretionary audits of the AbilityOne Program. Included in the plan is a description of the OIG’s audit planning process.

Enclosure: Biennial Audit Plan—FY 2022-2023

cc: Executive Director, Chief of Staff, U.S. AbilityOne Commission Members
Introduction

I am pleased to present our risk-based biennial audit plan for the 2022–2023 audit cycle. This plan provides a detailed roadmap for independent and objective audits focused on enhancing confidence in the program, increasing economies and efficiencies, and fostering program growth, while preventing and detecting fraud, waste, and abuse.

Throughout the 2022–2023 audit cycle, we continue to focus on high-risk areas in the program and operations. In the next two years, we plan to audit aspects of the Program related to the pandemic, including an assessment of the Commission’s controls over Program participant flexibilities related to the Coronavirus pandemic.

Our process to select and prioritize our planned work included assessing the top management and performance challenges, congressional interests, the results of our prior work, and key risks that Commission staff identified. We then used this information to inform discussions with Commission Members as well as members of the Commission’s executive leadership team about audits that will help improve Commission work and advance operations. We created a table starting on page three that lists our planned statutory and discretionary work for 2022 and 2023.

During the audit cycle we may always adjust this plan to ensure that we continue to focus our resources to the highest risks and impact areas. We welcome input on our planned work. Please direct any questions or comments to me, or Rosario A. Torres, CIA, CGAP, Assistant Inspector General for Auditing, at 703-772-9054.

Sincerely,

Thomas K. Lehrich
Inspector General
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The Audit Planning Process

The AbilityOne OIG audit coverage is designed on risk-based factors surrounding the AbilityOne Program (the Program) functions, operations, major activities, and program priorities and challenges. Selecting projects using a risk-based methodology remains critical to ensure that audit resources are directed to the most significant areas of the Program. The Audit Planning process involves:

1. Identifying potential audit projects;
2. Assessing the risk of potential projects by applying a pre-defined methodology;
3. Prioritizing potential projects by risk;
4. Determining available resources; and
5. Preparing an annual audit plan for approval.

1. Identification of Potential Projects – The Audit Universe

The audit planning process begins with the identification and high level risk assessment of potential audit projects. Possible audit projects originate from a number of sources, including:

- The Commission’s organizational structure;
- The Commission’s financial reporting structure;
- The Commission’s internal control and risk management and process;
- Suggestions from Commission Members, senior staff, and other employees;
- Suggestions from IG team based on previous work;
- Queries from the Congress and other stakeholders.
- Other sources (e.g. external auditors, whistle-blower / hotline complaints, etc.).

The audit plan is a “living document,” being continually updated as additional information is often gathered from feedback from Commission employees, senior staff, and Commission Members, information from completed audits, and suggestions from other sources discussed above. As part of the preparation for the 2022–2023 Annual Audit Plan, staff from the Office of Audit held individual meetings with Commission staff members between 12 March and 18 May 2021. In these meetings, we asked Commission staff to identify possible areas of risk to the Program and/or audit topics where they felt the OA could most add value.

2. Risk Assessment

Annually, the Audit Universe\(^1\) is subjected to a risk assessment to identify those potential audit projects that could have the most significant impact on the achievement of the Commission’s objectives. The potential projects in the Audit Universe were assessed and prioritized considering the following factors:

- **Financial**: The dollar amount of appropriated funds (or percentage of total annual budget) utilized by a program or process;
- **Staffing**: Staffing levels for relevant offices, programs or processes;

\(^1\) Audit universe is all of the Commission programs and processes as well as their internal controls that may be subject to audit.
3. Prioritized list of Potential Audit Projects

The potential projects generated by the risk assessment were further reviewed to create a prioritized list of possible audits. This review was conducted by the OIG Office of Audit Staff, the IG, and the Deputy IG based on their areas of expertise, and assesses the vulnerability of the potential area (e.g. past control breakdowns, high volumes of transactions, recent or high rate of personnel changes, and the criticality/complexity of an area). The assessment also included a review of the alignment between the potential project and the Commission’s four strategic objectives. We also, where applicable, considered the technology risk of possible auditable topics, such as dependency on IT, use of emerging technologies or strength of IT controls. The AIGA then completed a final review of the prioritized list of possible audit projects. This list was used as the basis for selecting projects for inclusion in the Biennial Audit Plan.

4. Calculating Available Audit Resources

Based on anticipated resource availability, a calculation was completed to determine the estimated hours available to conduct audits. This calculation incorporated staff time to meet professional development requirements to maintain professional designations as well as meet Government Auditing Standard (GAS) continuing professional education requirements.2

5. Annual Audit Plan for Approval

The final step to develop the audit plan was to consolidate the results of the risk-based prioritized listing of projects with the available audit resources. The draft audit plan is also shared with Commission members as well as members of the Commission’s Executive Leadership Team. The 2022–2023 Annual Audit Plan is then finalized and posted on our public website at https://abilityone.oversight.gov/.

Planned Projects for FY 2022-2023

The audit planning methodology continues once an audit project is initiated. The preliminary planning phase of all audit projects consists of a risk identification and assessment phase; that is, to identify the most significant risks within the area and focus the allocated audit resources on those areas. The result is an audit project that focuses on the most significant risks that may impact the achievement of the Commission’s objectives. We conduct audits mandated by legislation, as well as discretionary, risk-based audits of AbilityOne Program functions, operations, major activities, program priorities, and challenges to identify ways to improve systems and operations. The implementation of Cooperative Agreements, results from DoD 898 implemented actions, and emerging management challenges rank among many of the top priorities that impact the

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2 See Government Auditing Standards 2018 Revision.
AbilityOne Program’s capability to provide job opportunities for people who are blind or have significant disabilities. Our audits help ensure that financial, administrative, and programmatic activities are conducted effectively, efficiently, and in compliance with applicable laws, rules, and regulations. The following sections provide snapshots of our statutorily mandated and planned discretionary projects for the 2022–2023 audit cycle.

Statutorily Mandated Audits / Evaluations

1. Financial Statement Audit


The objective of the audit is to provide an opinion on whether the Commission’s financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. We plan to begin the audits of the Commission’s financial statements in the 1st or 2nd quarter of each year covered under the audit plan cycle (i.e. FY2022 and 2023).

*Expected Start:* Q1/Q2 FY2022 and FY2023

2. Audit of the AbilityOne Commission’s Information Security Program and Practices


FISMA requires the OIG to conduct an annual independent evaluation to determine the effectiveness of the information security program and practices of the Commission. The OIG oversight ensures the contractor follows the methodology established by CIGIE, OMB, and DHS for Fiscal Year 2020–2021 IG FISMA Reporting Metrics. The objective of the audit is to assess the effectiveness of the Commission’s information security program and practices across key functional areas.

*Expected Start:* Q3 FY2022 and FY2023

3. Risk Assessment of the Commission’s Government Charge Card Programs

The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194, reinforced efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. Reviews are conducted consistent with OMB guidance and other criteria.³

Under the Charge Card Act, OIGs conduct a periodic assessment to ensure the Commission has

effective controls to mitigate the risk of internal fraud, misuse, and delinquency as well as identify potentially illegal, improper, or erroneous use of purchase cards and payments.

All executive departments and agencies are required to implement the Charge Card Act’s internal controls for purchase cards and travel cards to ensure Federal funds are appropriately managed. The objectives of the risk assessment will be to 1) assess, identify and analyze the risks of illegal, improper or erroneous purchases and payments; and 2) determine whether the results of the risk assessment justify performing an audit in compliance with the Government Charge Card Abuse Prevention Act of 2012.

*Expected Start:* Q2/Q3 FY2022 and FY2023

4. Audit of the Commission’s compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act)

The Digital Accountability and Transparency Act of 2014, P.L. 113-101, also known as the DATA Act, expanded on the Federal Funding Accountability and Transparency Act of 2006. The DATA Act identifies OMB and the Department of the Treasury as the two agencies responsible for establishing data standards and issuing related guidance to effectively track federal spending. The DATA Act requires Federal agencies to begin reporting federal spending using the data standards to USAspending.gov by May 2017. OIGs review the data submitted by their agencies under the act and assess the Commission’s implementation and use of the Government-wide financial data standards.

OIGs subsequently report to Congress on the completeness, timeliness, quality, and accuracy of the information. The objective of the DATA Act audit is to assess the 1) completeness, timeliness, quality, and accuracy of FY 2021 financial and payment data submitted to the Department of the Treasury for publication on USAspending.gov (or its successor site); and 2) implementation and use of the data standards by Commission.

*Expected Start:* Q3/Q4 FY2022 and FY2023

Discretionary Audits and Evaluations

The OIG discretionary audit plan is flexible and can be modified to address higher priority issues that arise during the year or to respond to requests from Congress, Commission Members or other stakeholders. Based on risk, we have selected the following discretionary audits for the FY 2022–2023 audit cycle.

1. Audit of Fair Market Pricing Determinations.

The Commission is responsible for determining the Fair Market Price (FMP) for products and services on the PL and for revising the FMP in accordance with changing market conditions.

As part of these responsibilities, the Commission obtains information it deems appropriate from contracting activities, the CNAs, and the NPAs for review and determination of a FMP. In its

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4 See 41 U.S.C. 47(b) and 41 CFR §51-5.5
5 See Commission Policy 51.600 (Fair Market Pricing)
2013 report, the GAO reviewed the Commission’s process for reviewing the CNA’s pricing of potential PL additions.

The GAO concluded that the Commission needed to establish adequate oversight procedures to better help ensure Program integrity, transparency, and effectiveness. This included developing more explicit and transparent written protocols for pricing reviews and reviewing pricing packages submitted by the CNAs to determine the FMP of potential PL additions. As a result, GAO recommended that the Commission take action to correct this by developing more explicit and transparent written procedures for how Commission staff review pricing packages and clearly communicate these procedures to affiliates and the CNAs. In FY2020, the OIG initiated an audit of the Procurement List, Process, Procedures, and Practices. During this engagement, the auditors found breakdowns in the Commission’s tracking and evaluation of approval rates for PL additions, which included the recommended FMP.

The tentative audit objective is to determine to what extent the Commission implements controls over FMP determinations.

\textit{Expected Start:} Q1 FY2022


The Commission utilizes contract services to support its core business areas and cross-cutting functions in order to execute effectively its responsibilities and sustain its mission. The Office of Contracting and Policy (OCP) is the business unit responsible for oversight and execution of all agency contract actions. Currently, the office is staffed by one person – the Director of the OCP – who supports the Commission as a subject matter expert in the area of contracting, and oversees the operation of the office’s portfolio of programs including Government Charge Cards (GPC/GTC), Small Business Act Compliance, contracting support for the Commission (i.e. contract execution / contract administration), and contracting support for the Program itself (e.g. source selection / program sustainment / program growth).

Staffing shortfalls can limit the OCP’s capacity to properly oversee and execute contract actions and manage their portfolio of procurement programs. Staffing gaps coupled with inadequate succession planning can lead to the loss of valuable institutional knowledge and operational continuity, and can prevent OCP from meeting its compliance and reporting objectives. The tentative objective of this audit is to determine whether and to what extent the staffing shortfalls in the Office of Contracting Policy impacted the ability to manage and administer the contract administration process.

\textit{Expected Start:} Q2 FY2022

3. Audit of Controls Over AbilityOne Program Participant Flexibilities Related to the Coronavirus Pandemic.

In an April 2020 memo, the Commission expanded exceptions to Program policy in response to the novel coronavirus outbreak (COVID-19). The Commission held that nonprofit agencies’ direct

\footnotesize{6} GAO-13-457, "Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne Program Needed," (May 2013)

labor hour (DLH) ratios may be impacted if they are providing critical or essential products or services required by the Government during the national emergency or recovery period. As such, the Commission invoked Policy 51.401(b)(ii) to allow nonprofit agencies providing critical or essential products or services during the COVID-19 emergency or recovery period to obtain a limited exception from the statutory 75 percent DLH requirement of the JWOD Act. The initial end-date of the exceptions to policy was September 30, 2020, but these flexibilities were extended for another year in a subsequent memorandum, dated October 1, 2020.

The tentative audit objectives are to determine 1) the extent to which the AbilityOne has implemented pandemic-related program participant flexibilities and 2) if controls over the process to grant pandemic-related flexibilities to NPAs are present and functioning effectively to ensure compliance with Commission policy and regulations.

Expected Start: Q3 FY2022

4. Audit of 3rd Party Service Provider Agreements.

The Commission has a service level agreement with the U.S. Department of Agriculture (USDA) Office of the Chief Financial Officer (OCFO) which includes the preparation and submission of the agency’s financial statements and notes in accordance with generally accepted accounting principles (GAAP) and Federal government financial reporting requirements. USDA is a certified Shared Service Provider for both Financial Management Services and Human Resources Management Services. Services are provided to customer agencies on a cost recovery basis as defined under the service level agreements.

Outsourcing operations to third-party service providers allows organizations to save money and increase operational efficiency, but as the role of the third-party service provider expands, having a controls in place to manage and monitor services provided by the shared service providers becomes key to organizational success.

The tentative audit objective is to determine the extent to which the services provided by 3rd party organizations align with the terms of existing service agreements.

Expected Start: Q4 FY2022

5. Audit of AbilityOne Commission's Use of Determinations and Findings (D&F) Authority.

Commission policy requires Commission members to vote and approve additions to the Procurement List (PL). However, another Commission policy—Policy 51.207, Determinations and Findings (D&F), issued in 2012—delegates the authority for approving PL additions to Commission staff without a vote by the Commission members. The purpose of the policy was to give the Commission the authority to approve some additions that they deemed low risk and could approve more efficiently. The policy requires the approval of these decisions by the Commission members, and the Chairperson or his or her designee(s). The policy provides authority for two types of D&F approvals:

- **Class D&F.** Provides authority for the written approval of classes of PL actions for the

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8 See 41 U.S.C. §§ 8501(6)(c) & (7)(c).
same or related supplies or services, or other PL actions that require identical justification or meet specific criteria established by the Commission. A Class D&F requires approval by the Commission members and must be signed by the Chairperson or Executive Director.

- **Individual D&Fs.** Provides authority for the written approval of a single PL action, either as a separate individual approval action or pursuant to an approved Class D&F. The Executive Director must sign any individual D&F establishing that a PL action complies with the requirements of the Class D&F. Signature authority may not be delegated below the Director, Business Operations.

In FY2020, the OIG initiated an audit of the Procurement List, Process, Procedures, and Practices. During this engagement, the auditors found that the basis for the D&F authority was unclear. The audit team also determined that the Commission didn’t document the procedures it uses for evaluating whether a PL addition meets the criteria for approval under the D&F authority.

The tentative audit objective is to determine whether internal processes for and controls over the Commission's use (D&F) authority were sufficient, based on applicable laws, regulations, and policies.

*Expected Start:* Q4 FY2022 / Q1 FY2023

6. **Audit of NPA Compliance with Commission Subcontracting Rules and Regulations.**

During a nonprofit agency's (NPA) assessment of its ability to furnish a product or service under the AbilityOne Program, it often identifies a need to engage one or more subcontractors to provide raw materials or supplies, or to contribute needed technical, professional or specialized skills. Nonprofit agencies may subcontract a portion of the process for producing a product or providing a service on the Procurement List provided that the portion of the process retained by the prime nonprofit agency generates employment for persons who are blind or have other severe disabilities.9

The tentative audit objective is to determine if NPAs participating in the AbilityOne Program are subcontracting Procurement List projects in accordance with applicable laws, regulations, and policies.

*Expected Start:* Q2 FY2023

7. **Audit of AbilityOne Workforce Management and Organizational Structure.**

Effective workforce planning is an important part of internal control, and is critical to meeting growing workload demands and calls for greater government efficiency and accountability. GAO has reported strategic human capital management as an area of high risk since 2001. In their 2021 High-Risk List, GAO states, “Mission-critical skills gaps both within federal agencies and across the federal workforce pose a high risk to the nation because they impede the government from cost effectively serving the public and achieving results.”10 Moreover, the AbilityOne OIG reported the allocation of roles, resources, responsibilities, and authorities as one of the most pressing challenges to the AbilityOne Program’s mission to provide employment and training opportunities

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9 See 41 CFR 51-4.4.
10 GAO-21-119SP, “Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas” (March 2021)
for people who are blind or have significant disabilities.

The tentative objectives of this audit are to determine 1) how the AbilityOne Commission defines its workforce needs and develops strategies for shaping its workforce, and 2) the extent to which the AbilityOne Commission identified the critical skills and competencies required to meet its goals, and describe its strategy to address skills gaps in its workforce.

*Expected Start*: Q3/Q4 FY2023

8. **Audit of AbilityOne’s Procedures to Measure Employment and Program Growth.**

Federal internal control standards provide that performance objectives should be stated in specific terms so they are understood at all levels of the entity. This involves clearly defining what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement. The standards also state that management should define these objectives so that they align with the organization’s mission, strategic plan, and performance goals. Four strategic goals guide the Commission and AbilityOne Program, with the primary goal being to increase employment for people who are blind or have significant disabilities.\(^{11}\) The Commission measures progress toward this goal using various metrics such as the number of AbilityOne employees, direct labor hours worked by these employees, and items added to the PL.\(^{12}\)

The tentative audit objective is to determine if the AbilityOne Commission’s procedures to measure employment and program growth are transparent, relevant, and reliable.

*Expected Start*: Q4 FY2023

**Audit Standards and the Audit Process**

The *Government Auditing Standards* known as the Yellow Book, issued by the Comptroller General of the United States sets the requirements for performing high-quality audit work that continue to improve government operations and services. The standards, commonly referred to as the generally accepted government auditing standards (GAGAS), provide the foundation for auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process. Government auditing provides objective analysis and information needed to make the decisions necessary to help create a better future.

Performance audits as well as financial audits are essential tools to help improve the performance and ensure the accountability of federal government operations. Performance audits evaluate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.\(^{13}\)

The OIG’s audit process comprises the steps taken to conduct audit and involves specific activities,

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11 U.S. AbilityOne Commission Fiscal Year 2020 Performance and Accountability Report
12 *Id* at 31
13 Government Auditing Standards, GAGAS 1.21, 2018 Revision.
ranging from annual audit planning to audit follow-up. The underlying goal of the audit process is to maintain open channel of communication, and to ensure the audit results are accurate and fairly presented in the audit report. The key audit elements in the audit process are:

- **Audit Planning**—Audit plan (i.e. biennial) is developed and distributed to interested parties. It contains a list of planned audit projects and general objectives of the audits. The audit plan is a “living” document that may be revised as circumstances warrant, with a subsequent redistribution of staff resources.

- **Engagement Letter (Announcement Letter)**—Formal notification is provided to the office responsible for a specific program, activity, or function, informing them of the OIG’s intent to begin an audit of that program, activity, or function.

- **Entrance Conference**—A meeting is held to advise management officials of the objective(s), scope, general methodology to be followed, and planned milestones of the audit.

- **Fieldwork**—A comprehensive review is performed of selected areas of a program, activity, or function using an audit program developed specifically to address the audit objectives.

- **Discussion Draft Report**—A discussion draft copy of the report is provided to management officials to allow them the opportunity to prepare for the exit conference.

- **Exit Conference**—A meeting is held with the management officials to discuss the discussion draft report. This meeting provides management the opportunity to confirm information, ask questions, and provide any necessary clarifying data.

- **Draft Report**—The issuance of the final draft report for management officials to provide formal comments. Responses include concurrence or nonoccurrence for each recommendation, along with planned actions and target dates for completion.

- **Final Report**—The final audit report includes, as necessary, any revisions to the facts, conclusions, and recommendations from the draft report and evaluation from management official comments. Management written comments are included as an appendix to the report.

- **Audit Follow-up**—This audit process ensures that recommendations made to management are implemented, reviewed, and closed.
OIG Mission and Contact Information

Mission
The AbilityOne OIG’s mission is to provide independent, objective oversight of the AbilityOne Commission’s programs and operations through audits and investigations focused on enhancing confidence in the program, increasing economies and efficiencies, and fostering program growth; preventing and detecting fraud, waste, and abuse; and providing Congress, Commission Members, Commission management, and the public with timely information about improvement opportunities existing in the Commission’s programs and operations.

Obtaining Copies of Reports and Testimony
Available at our website at https://abilityone.oversight.gov/

Reporting Fraud, Waste, and Abuse
Report suspicious or illegal activities to the OIG Hotline Portal
https://abilityone.oversight.gov/contact

or

(844) 496-1536

Contact Information
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Inspector General