

January 2007

# FEDERAL DISABILITY ASSISTANCE

## Stronger Federal Oversight Could Help Assure Multiple Programs' Accountability



G A O

Accountability \* Integrity \* Reliability



Highlights of [GAO-07-236](#), a report to congressional requesters

## Why GAO Did This Study

Congress has created 20 federal employment-related programs that are aimed at helping people with disabilities obtain jobs. Little is known about the effectiveness and the management of some of these programs. GAO was asked to review four of these programs; the Department of Education (Education) oversees three—Projects with Industry (PWI), Supported Employment State Grants, and Randolph-Sheppard. An independent federal agency, the Committee for Purchase, oversees the fourth, Javits-Wagner-O'Day (JWOD). Specifically, GAO assessed the extent to which (1) performance goals and measures have been established for these programs and (2) the agencies responsible have established adequate oversight procedures. We reviewed program planning and performance information, interviewed agency officials, and visited each of the four programs in four states.

## What GAO Recommends

GAO recommends that Education establish goals for the Randolph-Sheppard program and strengthen program monitoring and guidance. GAO also recommends that the Committee for Purchase ensure JWOD goals and measures are clear and measurable and strengthen its procedures for overseeing the JWOD nonprofit agencies. In their comments, Education and the Committee for Purchase generally agreed with GAO's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-236](http://www.gao.gov/cgi-bin/getrpt?GAO-07-236).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert E. Robertson at (202) 512-7215 or [robertsonr@gao.gov](mailto:robertsonr@gao.gov).

# FEDERAL DISABILITY ASSISTANCE

## Stronger Federal Oversight Could Help Assure Multiple Programs' Accountability

### What GAO Found

Three of the four programs have federal performance goals. No federal performance goals or measures currently exist for the Randolph-Sheppard program, which provides opportunities for individuals who are blind to operate vending facilities on federal properties. Without goals, it is difficult to assess the program's performance, but Education officials told GAO they are developing them. Education has a goal and a measure for the Supported Employment State Grants program—a federal grant program that provides job coaching and other support to help individuals with severe disabilities secure jobs. The goal indirectly measures the program's performance because grant funds are mixed with other funding sources to provide supported employment services. Education has also developed one goal for the PWI program—a federal grant program that helps individuals with disabilities obtain competitive employment—that is consistent with the mission of the program. The goal is to create and expand job opportunities for individuals with disabilities in the competitive labor market by engaging business and industry, and one of the measures tracks the percentage of individuals placed in employment in work settings making at least minimum wage. The Committee for Purchase, which oversees the JWOD program—a program that helps to create jobs through the federal property management and procurement systems—first developed federal goals and measures for its fiscal year 2005-2007 strategic plan and has since revised them. The revised measures still have limitations, such as not being clearly defined or being difficult to measure.

Education's and the Committee for Purchase's oversight of the four programs has been uneven. Education has established procedures, such as on-site reviews, for the PWI and Supported Employment State Grants programs that, if consistently followed, would provide reasonable assurance that the programs are in compliance with applicable laws and regulations. However, Education conducts limited oversight of the Randolph-Sheppard program. For example, Education does not routinely analyze or report the data it collects from states and has provided little guidance to ensure states comply with laws or consistently interpret program requirements. One area in which Education has not provided sufficient guidance is the circumstances under which federal agencies may charge fees to licensed vendors operating vending facilities on their properties. As a result, vendors in some locations were paying commissions or fees but those in other locations were not. Finally, the Committee for Purchase delegates most of its oversight responsibilities to two central nonprofit agencies that also represent the interests of the JWOD nonprofit agencies they oversee. This arrangement, as well as the fact that they receive a percentage of the total value of the contracts from the JWOD nonprofit agencies, raises questions about their independence and gives them little incentive to identify instances of noncompliance that could result in the JWOD nonprofit agency losing its federal contract.

---

# Contents

---

<b>Letter</b>		<b>1</b>
	Results in Brief	3
	Background	5
	Three of the Four Programs Have Established Goals and Measures	12
	Uneven Federal Oversight Provides Little Assurance of Accountability for Two Programs	18
	Conclusions	27
	Recommendations	28
	Agency Comments and Our Evaluation	29
<b>Appendix I</b>	<b>Objectives, Scope, and Methodology</b>	<b>32</b>
<b>Appendix II</b>	<b>Performance Goals and Measures for the Javits-Wagner-O'Day (JWOD) Program</b>	<b>35</b>
<b>Appendix III</b>	<b>Comments from the Department of Education</b>	<b>37</b>
<b>Appendix IV</b>	<b>Comments from the Committee for Purchase from People Who Are Blind or Severely Disabled</b>	<b>39</b>
<b>Appendix V</b>	<b>GAO Contact and Staff Acknowledgments</b>	<b>43</b>

---

## Tables

Table 1: Federal and State Funds, Other Funding Sources, Total Funds, and Funds per Vendor for Four State Randolph-Sheppard Programs in Fiscal Year 2005	13
Table 2: Supported Employment State Grants Program Goal and Actual Performance, Fiscal Years 2003 through 2005	14
Table 3: PWI Performance Goal and Actual Performance, Fiscal Years 2003 through 2005	15
Table 4: JWOD Performance Goals and Examples of Performance Measures, Fiscal Years 2007-2009	18
Table 5: JWOD Performance Goals and Measures	35

---

## Figure

Figure 1: Number of Vendors in Program, Fiscal Years 2001-2005	9
--	---

---

## Abbreviations

BAC	Business Advisory Councils
ETS	Committee for Purchase's Essentially The Same
GPRA	Government Performance and Results Act of 1993
JWOD	Javits-Wagner-O'Day
NCED	National Center for the Employment of the Disabled
NIB	National Industries for the Blind
NISH	National Industries for the Severely Handicapped
PWI	Projects with Industry
RSA	Rehabilitation Services Administration
SLA	State Licensing Agency
VR	Vocational Rehabilitation

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office  
Washington, DC 20548

January 26, 2007

The Honorable Edward M. Kennedy  
Chairman  
Committee on Health, Education, Labor, and Pensions  
United States Senate

The Honorable Henry A. Waxman  
Chairman  
Committee on Oversight and Government Reform  
House of Representatives

The employment rate for working-age people with disabilities is about half of the employment rate for working-age people without disabilities.<sup>1</sup> In fiscal year 2003, at least \$2.4 billion was spent on 20 federal programs that are aimed to improve employment opportunities for people who have disabilities, but little is known about how effectively some of these programs are achieving their intended outcomes. You asked us to review four of these programs: Projects with Industry (PWI), Supported Employment State Grants, Randolph-Sheppard Vending Facility Program (hereafter known as Randolph-Sheppard), and Javits-Wagner-O'Day (JWOD). PWI and Supported Employment State Grants are federal grant programs that fund services that help individuals with disabilities to obtain competitive employment. The other two programs, Randolph-Sheppard and JWOD, help create jobs for individuals with disabilities through the federal property management and procurement systems. Randolph-Sheppard licenses people who are blind to operate vending facilities on federal or other properties, and JWOD gives preference to nonprofit agencies who employ people with disabilities to produce goods and services for the federal government.

The Department of Education (Education) is responsible for administering the Projects with Industry, Supported Employment State Grants, and Randolph-Sheppard programs. By law, Randolph-Sheppard is a state-operated program with limited federal responsibilities. The Committee for Purchase from People Who Are Blind or Severely Disabled (Committee for

---

<sup>1</sup>Cornell University Institute for Policy Research, Policy Brief, *Dismantling the Poverty Trap: Disability Policy for the 21st Century* (Washington, D.C.: July 2005).

---

Purchase), a small independent federal agency, is responsible for administering the JWOD program. The Committee for Purchase utilizes two central nonprofit agencies—National Industries for the Blind (NIB) and NISH<sup>2</sup>—to help carry out its responsibilities.

You asked us to determine to what extent (1) performance goals and measures have been established for these programs and (2) the agencies responsible for these programs have established adequate procedures for overseeing program implementation and assuring laws and regulations are followed.

To determine the extent to which performance goals have been established for these programs, we conducted a review of program laws, guidance, and performance documents.<sup>3</sup> To obtain additional information about the performance goals and measures and determine the extent that the agencies responsible for these programs have established adequate procedures for overseeing program implementation and assuring that laws and regulations are followed, we reviewed agency policies and guidance, and interviewed agency officials at Education and the Committee for Purchase. We also met with officials of the two central nonprofit agencies (NIB and NISH) that assist the Committee for Purchase in performing its oversight responsibilities for JWOD. To supplement the overall program information, we reviewed each of these programs at the local level in four states—Arizona, Kansas, New York, and North Carolina—and analyzed documentation (e.g., program guidance, monitoring protocols, etc.) to ascertain how these programs were administered and monitored. We selected these four states based on factors such as whether they had all four programs operating in the state, geographic diversity, and whether the states' Vocational Rehabilitation (VR) programs had a separate blind program (about half of all states have two agencies; one for the general VR program and one for the blind program).<sup>4</sup> We visited a total of 4 PWI projects, 4 Supported Employment State Grants recipients, 7 Randolph-

---

<sup>2</sup>NISH was formerly known as the National Industries for the Severely Handicapped.

<sup>3</sup>The Government Performance and Results Act of 1993 (GPRA) requires federal executive branch agencies such as the Department of Education to set goals, measure their performance, and report on their accomplishments. Agencies are required to develop annual performance plans that use performance measurement to reinforce the connection between the long-term strategic goals outlined in their strategic plans and the day-to-day activities of their managers and staff.

<sup>4</sup>State VR programs provide assistance to individuals with disabilities and are overseen by the Department of Education.

---

Sheppard vendors, and 13 JWOD nonprofit agencies. We reviewed available audit reports on the state-operated Randolph-Sheppard program for the states we visited and for other states. We also reviewed other available audit reports for JWOD nonprofit agencies and PWI grantees. Finally, we interviewed officials of agencies engaged in disability research and advocacy at the national level including the Council of State Administrators of Vocational Rehabilitation, National Council on Disability, and the National Council of State Agencies for the Blind. (App. I contains a more detailed discussion of our scope and methodology.) We conducted our work between March 2006 and December 2006 in accordance with generally accepted government auditing standards.

---

## Results in Brief

Three of the four programs we reviewed had federal goals. Currently, no formal federal performance goals exist for the Randolph-Sheppard program, but two of the four states we visited had established their own performance goals, such as increasing the number of participating licensed vendors and vending facilities. Education officials told us they are developing federal goals and should complete them by April 2007. Education has a goal for the Supported Employment State Grants program, which is for individuals who have significant disabilities to achieve high quality employment, but it cannot fully assess this program's performance because these grant funds are mixed with other funding sources to provide supported employment services; which is common in such situations. The Projects with Industry program has a performance goal that is consistent with the mission of the program. The program's goal is to create and expand job opportunities for individuals with disabilities in the competitive labor market by engaging business and industry. The program has had mixed success in meeting its targets for this goal. For example, the program did not meet one target with regard to the percentage of individuals served who were placed into competitive employment between fiscal years 2003 and 2005. However, it consistently exceeded its target for the average increase in weekly earnings during the same period. For the JWOD program, the Committee for Purchase first developed performance goals and measures as part of its fiscal year 2005-2007 strategic plan, but did not include a key component—performance targets—necessary for assessing performance. The Committee for Purchase has since revised its performance management system and established some performance targets, but cannot yet report progress toward its goals. Measures under the revised system have some limitations, such as not being clearly defined or being difficult to measure.

---

Education and the Committee for Purchase's oversight for the programs they are responsible for has been uneven. Education has established procedures for the PWI and the Supported Employment State Grants programs that, if consistently followed, should provide reasonable assurance that the programs are in compliance with applicable laws and regulations. For example, Education told us they conduct quarterly monitoring calls with all PWI grantees, require grantees to submit annual reports on project activities and performance, and conduct some on-site reviews. Oversight of the Supported Employment State Grants program is accomplished as part of the ongoing monitoring of state Vocational Rehabilitation programs and includes examining state VR program plans and required data reports. In the four states visited, we found that each of these states had its own accountability procedures for ensuring that VR grant funds, including Supported Employment State Grants funds, were being used in accordance with federal laws and regulations. Concerning the Randolph-Sheppard program, however, Education relies heavily on self-reported data for its monitoring and does not routinely analyze or report the data it collects. The agency has also provided little guidance to states to ensure compliance with laws or consistent interpretation of program requirements. For example, Education has not provided clear guidance or policies regarding when federal agencies may charge commissions or fees to licensed vendors as a condition of operating a vending machine on federal property. We found that licensed vendors are paying commissions or fees in some locations but not in others and the federal agency had not obtained approval from Education. With regard to JWOD, the Committee for Purchase does perform some compliance monitoring for its participating nonprofit agencies. However, the majority of the compliance visits are performed by the two central nonprofit agencies that must also represent the interests of the JWOD nonprofit agencies they oversee. This arrangement, as well as the fact that they receive a percentage of the total value of contracts from the JWOD nonprofit agencies, raises questions about their independence and gives them little incentive to identify instances of noncompliance that could result in the member JWOD nonprofit losing its contract.

We are making recommendations to the Secretary of Education and to the Chairperson of the Committee for Purchase aimed at improving performance management and oversight of the Randolph-Sheppard and JWOD programs, respectively. In its comments on a draft of this report, both Education and the Committee for Purchase generally agreed with our recommendations and provided information on actions they were taking or planning to take to enhance performance management and oversight of their respective programs.



---

## Background

Over the years, Congress has established many employment-related programs to help people with disabilities obtain jobs. Four of these programs, PWI, Supported Employment State Grants, Randolph-Sheppard, and JWOD, illustrate several different approaches taken by Congress to create more employment opportunities for people with severe disabilities—from providing job training and support to enabling individuals to run businesses. Congress created two of the four programs (PWI and Supported Employment State Grants) in the 1970s and the other two (Randolph-Sheppard and JWOD) in the 1930s.

---

## Projects with Industry

PWI was established in 1978,<sup>5</sup> and is a discretionary grant program that provides financial assistance for up to 5 years to organizations to assist individuals with disabilities in obtaining competitive employment.<sup>6</sup> However, according to Education officials, recent grants have been awarded for 3-year periods. Grantees of the PWI program include community rehabilitation program providers, employers, labor unions, nonprofit agencies or organizations, trade associations, and others. The purposes of the PWI program are to (1) create and expand job and career opportunities for individuals with disabilities in the competitive labor market by engaging private industry as partners in the rehabilitation process, (2) identify competitive job and career opportunities and the skills needed to perform these jobs, (3) create practical settings for job readiness and job training programs, and (4) provide job placements and career advancements. PWI grantees must establish business advisory councils (BAC) comprised of representatives of private industry, organized labor, and individuals with disabilities and their representatives, and others. BACs are required, among other things, to identify jobs and careers available in the community, the skills necessary to perform them, and prescribe appropriate training and job placement programs. Seventy-nine grantees received about \$22 million in fiscal year 2005 and served more than 10,000 individuals with significant disabilities.

---

<sup>5</sup>Pub. L. No. 95-602 (1978); 29 U.S.C. § 795.

<sup>6</sup>Competitive employment is any full- or part-time job that pays at least the federal minimum hourly wage and provides a work setting typically found in the community in which individuals with disabilities interact with non-disabled individuals, other than non-disabled individuals who are providing services to them, to the same extent that non-disabled individuals in comparable positions interact with other persons.

---

The Department of Education is responsible for administering and overseeing PWI and is required to:

- Conduct annual on-site compliance reviews—Education’s primary means of verifying the accuracy of the information grantees submit—of at least 15 percent of grant recipients, chosen at random.
- Submit an annual report to Congress that analyzes the extent to which the individual grant recipients have complied with the evaluation standards. For example, the project must serve individuals with disabilities that impair their capacity to obtain competitive employment. In selecting persons to receive services, priority must be given to individuals with significant disabilities.
- Have a performance reporting system that grantees can use to routinely submit program data that evaluates the grantees’ progress in achieving the stated objectives, the effectiveness of the project in meeting the purposes of the program, and the effect of the project on its participants.

---

## Supported Employment State Grants

Established in 1978,<sup>7</sup> the Supported Employment State Grants program provides funds to states and is designed to assist states in developing collaborative programs with appropriate organizations to provide supported employment services to individuals with the most severe disabilities who require these services to enter or retain competitive employment. Supported Employment State Grants funded services include a wide array of employment-related activities ranging from intensive on-the-job skills training to discrete post-employment services such as job station redesign or repair and maintenance of technology to help them perform job functions, generally for up to 18 months after job placement. In fiscal year 2005, the grant program was funded at approximately \$37 million.<sup>8</sup>

---

<sup>7</sup>Pub. L. No. 95-602 (1978); 29 U.S.C. §§ 795g-795n.

<sup>8</sup>States do not have a matching requirement for federal funds to receive this grant.

---

The Supported Employment State Grants program is an integrated component of state VR programs, which are also overseen by Education.<sup>9</sup> Title I of the Rehabilitation Act of 1973 authorizes a federal-state VR program to provide services to persons with disabilities so that they may prepare and engage in meaningful employment.<sup>10</sup> Education provided \$2.6 billion in fiscal year 2005 in VR grants to the states and territories based on a formula that considers the state's population and per capita income.<sup>11</sup> Each state and territory designates a single VR agency to administer the VR program, except where state law authorizes a separate agency to administer VR services for individuals who are blind. State VR agencies provide services to individuals in 22 service categories, such as vocational counseling and guidance, job placement assistance, on-the-job supports, college or university training, rehabilitation technology, and interpreter services. State VR agencies that determine they will not be able to serve all eligible individuals who apply for services must develop criteria for prioritizing services to individuals with the most significant disabilities. Education reported that, as of fiscal year 2006, 40 of the 80 state VR agencies had such an order of selection.

Oversight for Supported Employment State Grants is conducted as part of oversight of state VR programs, and Education is required to:

- conduct annual reviews of state VR programs that include collecting and reporting information on budget and financial management data, and an analysis of program performance, including relative state performance, based on the standards and indicators; and
- conduct periodic on-site monitoring of state VR programs.

---

<sup>9</sup>In this report, the term *state VR programs* refers to programs or agencies in the 50 states, the District of Columbia, and the territories of American Samoa, Guam, Northern Marianas Islands, Puerto Rico, and the Virgin Islands.

<sup>10</sup>This program was most recently reauthorized as part of the Workforce Investment Act of 1998.

<sup>11</sup>The act generally requires states to match federal funds at a ratio of 78.7 percent federal to 21.3 percent state dollars.

---

## Randolph-Sheppard

The Randolph-Sheppard program<sup>12</sup> was created in 1936 to provide blind persons with gainful employment, enlarge their economic opportunities, and encourage their self-support.<sup>13</sup> While Randolph-Sheppard is under the authority of Education, the states are primarily responsible for operating their programs, and every state except Wyoming has established a vendor program. Each state that has a Randolph-Sheppard program is required to have a state licensing agency (SLA), under the auspices of the state VR program and approved by Education, to operate the program, including the authority to promulgate rules and regulations that govern the program. The SLAs are responsible for training, licensing, and placing people who are blind as operators of vending facilities (machines, snack bars, and cafeterias) located on federal and other properties. In addition, SLAs must annually submit information about their Randolph-Sheppard programs to Education, including information on the number of applicants and the number accepted, the number of vending facilities and vendors, and the total amount of vendor earnings.

In fiscal year 2005, SLAs spent about \$37 million in federal and state VR grant funds to help operate and support the program. In addition to VR funds, some states fund the program through optional set-asides from licensed vendors, which are a percentage of their revenues, and through the profits from vending machines located on federal properties that are not operated by licensed vendors. State funds are also used to operate the program. In total, more than \$76 million were used to operate and support the Randolph-Sheppard program nationwide in fiscal year 2005.

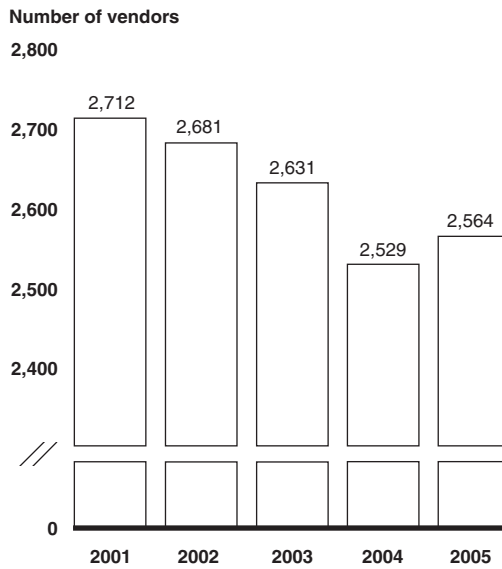
In fiscal year 2005, the Randolph-Sheppard program generated \$661.3 million in total gross income and the average annual earnings of vendors was \$43,584. Over a 5-year period (fiscal year 2001 through fiscal year 2005), the number of vending facilities have been in decline nationwide, decreasing from 3,193 to 3,080. Over the same period, the number of vendors decreased annually except in fiscal year 2005, as shown in figure 1.

---

<sup>12</sup>In the four states we visited, Randolph-Sheppard is called the Business Enterprise Program.

<sup>13</sup>Randolph-Sheppard Act, ch. 638, 49 Stat. 1559 (1936) (codified at 20 U.S.C. §§ 107, 107a-107f).

**Figure 1: Number of Vendors in Program, Fiscal Years 2001-2005**



Source: Department of Education.

While states are responsible for operating their programs, among other things, Education is required to:

- approve applications from a state's VR agency to serve as the SLA, and approve the rules and regulations the SLA promulgates to implement the Randolph-Sheppard Act;
- conduct periodic evaluations of the program to determine whether the program is being used to its maximum potential; and
- convene arbitration panels and pay for arbitration to resolve vendor and SLA disputes.

## Javits-Wagner-O'Day

Established in 1938,<sup>14</sup> JWOD is a federal procurement set-aside program designed to increase employment and training opportunities for persons

<sup>14</sup>Wagner-O'Day Act, ch. 697, 52 Stat. 1196 (1938) (codified at 41 U.S.C. §§ 46-48).

---

who are blind or have other severe disabilities.<sup>15</sup> Through this program, the government purchases commodities and services from nonprofit agencies employing workers who are blind or have severe disabilities. According to Committee for Purchase officials, in fiscal year 2006, federal procurement expenditures for goods and services provided by JWOD program suppliers totaled about \$2.3 billion, and provided employment for about 48,000 people who are blind or have severe disabilities at more than 600 participating JWOD nonprofit agencies. The types of employment opportunities range from working in food service or providing janitorial services in federal office buildings to producing and/or assembling boxes and office supplies such as pens, notepads, file folders, and other goods. For fiscal year 2005, Committee for Purchase officials reported that JWOD workers earned an average of \$9.49 per hour.

The Committee for Purchase, which administers the program, received about \$5 million in federal funds in fiscal year 2005 to support the activities of a 15-member, presidentially appointed board and 29 full-time program staff, including managing the JWOD procurement list.<sup>16</sup> The Committee for Purchase is required by law to designate one or more central nonprofit agencies to facilitate the distribution of federal procurement contracts among qualified nonprofit agencies, and has designated two agencies for this purpose: NIB, which represents member nonprofit agencies employing individuals who are blind, and NISH, which represents its member nonprofit agencies that employ individuals with other severe disabilities.

---

<sup>15</sup> A blind person is defined as a person who has been determined to have (1) not more than 20/200 central visual acuity in the better eye with correcting lenses or (2) an equally disabling loss of the visual field as evidenced by a limitation to the field vision in the better eye to such a degree that its widest diameter subtends an angle of no greater than 20 degrees. A person with a severe disability, other than a blind person, is any person who has a severe physical or mental impairment (a residual, limiting condition resulting from an injury, disease, or congenital defect) that so limits the person's functional capabilities (mobility, communication, self-care, self-direction, work tolerance or work skills) that the individual is currently unable to engage in normal competitive employment. 41 C.F.R. § 51-1.3.

<sup>16</sup> The Committee for Purchase is responsible for publishing a procurement list of the commodities produced by any qualified nonprofit agency for the blind or by any qualified nonprofit agency for the severely disabled and the services provided by any such agency, which the Committee for Purchase determines are suitable for procurement by the government under JWOD. The Committee for Purchase determines the fair market price of commodities and services that are contained on the procurement list and offered for sale to the government by any qualified JWOD agency.

---

In addition to its duties related to establishing and maintaining a procurement list of goods and services that must be purchased through qualified JWOD suppliers, the Committee for Purchase is required to:

- establish rules, regulations, and policies to carry out the purposes of the JWOD program, and to provide that nonprofit agencies employing individuals who are blind have priority in obtaining JWOD contracts;
- monitor nonprofit agency compliance with Committee for Purchase regulations and procedures;
- inform federal agencies about the JWOD program and encourage their participation, and, to the extent possible, monitor federal agencies' compliance with JWOD requirements; and
- study and evaluate its activities on a continual basis to ensure the effective and efficient administration of the JWOD Act.

The Committee for Purchase has also established regulations that require the two central nonprofit agencies (NIB and NISH) to evaluate the qualifications and capabilities of nonprofit agencies that apply for contracts and provide pertinent data concerning the JWOD nonprofit agencies, such as their status as qualified nonprofit agencies, and their manufacturing or service capabilities. Additionally, NIB and NISH are to monitor and inspect the activities of participating nonprofit agencies to ensure compliance with the JWOD Act and appropriate regulations. For example, to maintain its status as a qualified nonprofit agency organized for the purposes of the JWOD program, an agency must employ persons who are blind or have severe disabilities to perform at least 75 percent of the work-hours of direct labor during the fiscal year to furnish such commodities or services (whether or not the commodities or services are procured under the JWOD Act).

The Committee for Purchase's regulations require that each nonprofit agency maintain employment files for persons with severe disabilities participating in the JWOD Program. Each file must contain either a certification by a state or local government entity or a written report signed by a licensed physician, psychiatrist, or qualified psychologist, reflecting the nature and extent of a participant's disability or disabilities that qualify as severe. These reports must also state whether an individual with severe disabilities is capable of engaging in normal competitive

---

employment and be signed by persons qualified to evaluate their work potential, interests, aptitudes, and abilities.<sup>17</sup>

---

### Three of the Four Programs Have Established Goals and Measures

Federal performance goals and measures have been established for three of the four programs we reviewed. Education has not established performance goals and measures for the Randolph-Sheppard program, although two of the four states that we visited had their own goals and measures. Education has one goal for the Supported Employment State Grants program, but the goal only provides an indirect measure of the program's performance because the data also include individuals with significant disabilities who receive supported employment services funded under state VR programs. Education has established a performance goal for PWI, which is consistent with the purpose of the program. Finally, for the JWOD program, the Committee for Purchase recently revised its performance goals and established some targets.

### Education Has Not Established Federal Goals for Randolph-Sheppard

Education does not have GPRA performance goals for the Randolph-Sheppard program, and neither the Randolph-Sheppard Act nor its implementing regulations require them. According to Education officials, no formal federal performance goals or measures currently exist for the Randolph-Sheppard program, but they are under development and expected to be completed by April 2007. Although not specifically required by law, Education does collect some information related to program performance from the states. For example, Education collects information on total vendor income, number of facilities, and vendors. Education also collects information on the numbers of individuals who are blind or have disabilities who are employed by vendors, although there is no requirement for vendors to employ workers who have disabilities.

States may develop performance goals for their Randolph-Sheppard programs, and two (Arizona and Kansas) of the four states we visited had established performance goals. Arizona's goals were to increase the number of licensed vendors and vending facilities. In fiscal year 2005, the state set a target of 32 vendors and five new facilities. However, Arizona did not meet these targets and had 30 licensed vendors and added one new facility. Kansas' fiscal year 2005 goal was that at least 90 percent of the licensed vendors maintain or increase their level of income from the prior

---

<sup>17</sup> 41 C.F.R. § 51-4.3.



year, and the state reported that this goal had been exceeded in each of the past 3 fiscal years. According to program officials in New York and North Carolina, no state goals were established for their Randolph-Sheppard programs. In the four states we visited, nearly \$10 million, including more than \$7 million in federal and state funds, were used to support operations for about 215 licensed vendors, as shown in table 1.

**Table 1: Federal and State Funds, Other Funding Sources, Total Funds, and Funds per Vendor for Four State Randolph-Sheppard Programs in Fiscal Year 2005**

State	Federal and state funds	Other funding sources <sup>a</sup>	Total funds	Vendors (staff years)	Funds per vendor
Arizona	\$1,681,418	\$ 790,531	\$2,471,949	29.7	\$83,231
Kansas	517,202	165,732	682,934	15	45,529
New York	2,705,026	848,736	3,553,762	86.5	41,084
North Carolina	2,478,909	711,558	3,190,467	82.3	38,766
<b>Total</b>	<b>\$7,382,555</b>	<b>\$ 2,516,557</b>	<b>\$9,899,112</b>	<b>213.5</b>	<b>\$46,366</b>

Sources: RSA-15 reports submitted by officials of the Arizona, Kansas, New York, and North Carolina Business Enterprise Programs.

<sup>a</sup>Other funding sources are vending machine income (federal and non-federal), and a percentage of net proceeds from licensed vendors.

In these four states, we also interviewed seven licensed vendors who operated businesses that ranged from full-service cafeterias to small convenience stores or canteens. We found that all of the licensed vendors we met with worked full-time and most earned incomes that provided an income that made them relatively self-sufficient. However, not all licensed vendors nationwide receive incomes that allow them to support themselves and their incomes may be subsidized through program revenues generated by other vendors. Two states we visited were taking steps to increase vendors' income by consolidating facilities. Regardless of their financial status, three of the seven licensed vendors we interviewed continued to receive financial benefits from other federal disability assistance programs, such as Social Security Disability Insurance. In addition, at least 6 of the 7 vendors employed fewer than 10 workers, most of whom were not blind or did not have severe disabilities. However, some of the vendors we interviewed told us that they are interested in ways to reach out to and employ more workers who are blind or have severe disabilities. Further, states we visited told us about other program challenges, such as a decline in customers as a result of increased security in federal buildings and consolidation of unprofitable facilities that reduced the number of opportunities available to vendors.

Education Has a Supported Employment State Grants Program Goal That Indirectly Measures Performance

Education has a GPRA goal for the Supported Employment State Grants program that the department uses to indirectly measure the program’s performance. According to program officials, Education has not sought information that isolates the performance of federally-funded Supported Employment State Grants because they are used together with state and other federal funds to provide supported employment services, as is often the case when funds from different sources are used to achieve an outcome. Officials told us a separate measure for the Supported Employment State Grants program would be an artificial distinction. The performance goal is for individuals who have significant disabilities to achieve high quality employment. For this goal, Education only includes individuals with significant disabilities who have a goal of supported employment, that is, achieving competitive employment with support services such as rehabilitation technology or on-the-job supports. The measure is the percentage of individuals who achieve competitive employment, which they define as making minimum wage or higher, but not less than the wages paid to workers without disabilities performing similar work, and working alongside workers without disabilities in an integrated setting.

During fiscal years 2003 and 2004, Education exceeded its performance target for placing Supported Employment State Grants program participants in competitive employment. For fiscal year 2005, Education increased the performance target to 93 percent and achieved 92.6 percent, as shown in table 2.

Table 2: Supported Employment State Grants Program Goal and Actual Performance, Fiscal Years 2003 through 2005

Goal: Individuals with significant disabilities with a supported employment goal will achieve high-quality employment.	Performance					
	2003		2004		2005	
	Target	Actual	Target	Actual	Target	Actual
Performance measure						
Percentage of individuals with a supported employment goal who achieve a competitive employment outcome.	77.8%	92.7%	78%	92.8%	93%	92.6%

Source: Department of Education.

Education Has Established One Federal Performance Goal for the PWI Program

Education has established a GPRA performance goal that includes four measures for the PWI program. The goal of the PWI program is to create and expand job opportunities for people with disabilities in the competitive labor market by engaging business and industry in the

rehabilitation process. The four performance measures are consistent with the program's goal. For example, one measure is the percentage of individuals served by the program who were placed into competitive employment. Another measure, cost per placement, was only recently established for fiscal year 2006 and performance data are not yet available. In recent years, Education has had mixed success in meeting the GPRA targets. For example, in fiscal years 2003 to 2005, the PWI program did not meet its target of increasing the percentage of individuals who were placed into competitive employment. However, it consistently exceeded its target for increased earnings over the same period, as shown in table 3.

**Table 3: PWI Performance Goal and Actual Performance, Fiscal Years 2003 through 2005**

Goal: Create and expand job opportunities in the competitive labor market by engaging the participation of business and industry in the rehabilitation process.	Performance					
	2003		2004		2005	
	Target	Actual	Target	Actual	Target	Actual
Percentage of individuals served by the program who were placed into competitive employment <sup>a</sup>	62.4%	54.2%	62.7%	61.5%	63%	51.9%
Percentage of previously unemployed individuals served who were placed into competitive employment <sup>a</sup>	63%	54%	64%	65.5%	65%	62.4%
Average increase in weekly earnings	\$231	\$242	\$233	\$247	\$238	\$253
Cost per placement (federal grant funds only) <sup>b</sup>	NA <sup>c</sup>	NA <sup>c</sup>	NA <sup>c</sup>	\$3,139 <sup>d</sup>	NA <sup>c</sup>	\$3,014 <sup>d</sup>

Source: Department of Education.

<sup>a</sup>An evaluation of the PWI program, published in 2003, raised some doubts about the reporting on the percentage of individuals placed in competitive employment.

<sup>b</sup>Cost per placement will become a GPRA indicator in fiscal year 2006.

<sup>c</sup>Not available.

<sup>d</sup>Data are being used to develop a baseline for fiscal year 2006 performance.

Education has revised its GPRA performance measures for the PWI program for fiscal year 2006. Specifically, Education will begin to measure the percentage of PWI projects whose cost per placement is within a specified range, which has yet to be determined. The agency will also measure the percentage of all individuals who exit the program and are placed in competitive employment. According to Education officials, this measure was added in response to recommendations by the Office of Management and Budget and will allow more accurate comparisons with other job training programs throughout the government.

---

We visited four PWI grantees in the four states and found that these projects set goals that are consistent with the goals of the PWI program, such as placing people in competitive employment. For example, one PWI grantee in Kansas is serving individuals with all types of disabilities ages 16 and older. One goal of the project is to place 75 percent of the people they serve each year in competitive employment, which is higher than the GPRA target set by Education. According to agency officials, clients are being placed in jobs such as call centers and other customer service positions, earning average salaries of \$9.25 to \$10.00 per hour. In another example, one PWI grantee in New York has a goal to transition youth from school to work and targets its services to individuals ages 16 to 25 with a mental, physical, or emotional disability. One of the goals of the project is to place about 67 percent of the people served in jobs over 3 years. According to the grantee, a successful outcome in the program is competitive employment in at least a part-time position paying at least the federal minimum wage, and continued employment for at least 6 months. The PWI projects in Kansas and New York just completed the first year of operations.

---

**The Committee for Purchase Recently Updated Its Strategic Plan for the JWOD Program; Progress toward Goals Is Not Yet Known**

For the first time, the Committee for Purchase developed performance goals and measures for the JWOD program in its fiscal year 2005-2007 strategic plan and updated this plan in October 2006, but it has not yet reported progress toward meeting these goals. While JWOD's enabling legislation and regulations do not require goals, the strategic plan includes five performance goals and a number of measures for each of these goals.<sup>18</sup> The current strategic plan includes some performance measures and targets, but some of the measures that are more qualitative in nature do not include targets, and it is unclear how JWOD will measure progress in these areas. In keeping with the overall mission of the JWOD program, the goals are aimed at increasing the number of job opportunities for people who are blind or have severe disabilities. One of the plan's five goals is to expand employment opportunities. The other four goals include increasing customer satisfaction (JWOD customers are federal agencies), improving efficiency of operations, expanding program support and developing new markets for its products and services. However, these goals do not

---

<sup>18</sup>Although the JWOD Act does not require GPRA performance goals and measures, the Committee for Purchase has determined that the JWOD program is covered by federal strategic planning requirements.

---

specifically address one part of the program’s mission, which is to increase training opportunities.<sup>19</sup>

Furthermore, some of the performance measures are not clearly defined or may be difficult to measure, thus making it difficult to assess performance. For example, there are several measures that involve using “milestone tracking” although the milestones are not provided. One of these measures will track progress toward annually updating and implementing a plan to address communication and information sharing with and among stakeholders. Further, JWOD has over 30 performance measures, which may make it difficult to identify performance problems. As we discussed in our June 1996 guide on implementing GPRA,<sup>20</sup> performance measures should be limited to the vital few. Limiting measures to core program activities enables managers and other stakeholders to assess accomplishments and make decisions without having an excess of data that could obscure rather than clarify performance issues.<sup>21</sup> The JWOD performance goals and examples of measures are shown in table 4. All of the JWOD performance measures are listed in appendix II.

---

<sup>19</sup>41 C.F.R. § 51-1.1(a).

<sup>20</sup>GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

<sup>21</sup>GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

**Table 4: JWOD Performance Goals and Examples of Performance Measures, Fiscal Years 2007-2009**

Performance goals	Examples of performance measures
Continue to expand employment opportunities for people who are blind or have other severe disabilities under the JWOD program, including wage progression, benefits, upward mobility, and personal job satisfaction.	<ul style="list-style-type: none"> <li>Percentage increase in direct labor hours performed by people who are blind or have other severe disabilities on JWOD products and services.</li> <li>Percentage increase in the number of people who are blind or have other severe disabilities employed in direct labor positions on JWOD products/services.</li> </ul>
Partner with federal customers to increase customer satisfaction and loyalty, so that the JWOD program becomes their preferred source for products and services.	<ul style="list-style-type: none"> <li>Federal agency scorecard that evaluates the level of satisfaction with JWOD products, services, and/or customer experience among key federal agencies, using a stoplight or similar summary format.</li> <li>Increased customer satisfaction with quality, timeliness, and price, based on customer surveys and/or alternative qualitative research (e.g., focus groups).</li> </ul>
Improve efficiency and effectiveness of the JWOD program by streamlining and automating processes and procedures, and improving communication, while continuing to ensure program integrity.	<ul style="list-style-type: none"> <li>Reduction in the cycle time for the addition of a new JWOD product or service to the procurement list.</li> <li>Milestone tracking of evaluation of commercial distribution processes, including staff resources and financial resources.</li> </ul>
Expand awareness, understanding, and preference for the JWOD program within the public, Congress, federal agencies, the disability community, and other JWOD stakeholders through effective communication and information sharing.	<ul style="list-style-type: none"> <li>Milestone tracking of annual update and implementation of a plan that addresses communication and information sharing with and among both internal and external stakeholders.</li> <li>Among members of congressional committees or subcommittees with oversight or other significance for the JWOD program, number who have been educated about the JWOD program and/or are actively engaged with their local JWOD-participating nonprofit agency(ies).</li> </ul>
Strategically develop new markets and expand existing markets in which the JWOD program can provide best value products and services to federal customers in order to expand employment opportunities that meet the needs of people who are blind or have other severe disabilities.	<ul style="list-style-type: none"> <li>Milestone tracking of establishment and implementation of a program market development plan that addresses existing customers, existing products/services, new customers, and new products/services.</li> <li>Percent increase in the employment of people who are blind or have other severe disabilities under the JWOD program, measured in (1) actual direct labor hours, (2) actual jobs, (3) projected direct labor hours on procurement list additions, and (4) projected jobs on procurement list additions by key market segment.</li> </ul>

Source: Final FY 2007-2009 Strategic Plan for the Javits-Wagner-O'Day (JWOD) Program, Committee for Purchase from People Who Are Blind or Severely Disabled, October 16, 2006.

## Uneven Federal Oversight Provides Little Assurance of Accountability for Two Programs

Education and the Committee for Purchase engage in a number of oversight activities for the programs they are responsible for, but their efforts to ensure compliance with applicable laws and regulations have been uneven, and overall have provided little assurance of program accountability for two of the four programs reviewed. Specifically, Education has established oversight procedures for the PWI and the Supported Employment State Grants programs that, if consistently followed, should provide reasonable assurance of compliance with relevant laws and regulations. The agency is just beginning to conduct on-site monitoring of PWI grantees that may be sufficient for testing the

---

accuracy of the information used to monitor compliance. Education's oversight of these two programs has generally been more active than its oversight of the Randolph-Sheppard program. Education relies primarily on self-reported data for its monitoring of the Randolph-Sheppard program and does not routinely analyze or report the data it collects. Finally, the Committee for Purchase has established procedures for monitoring and overseeing the JWOD program, but has prescribed regulations that delegate most of the responsibility for carrying out these procedures to two central nonprofit agencies that are also responsible for representing the interests of the JWOD nonprofit agencies they monitor, raising questions about independence. Furthermore, there are no procedures in place for the Committee for Purchase to address instances where the central nonprofit agencies fail to carry out their oversight responsibilities.

---

### Education Performs Various PWI Oversight Activities, and On-site Monitoring Is Improving

Education regularly performs a number of oversight activities to ensure that PWI grantees are making progress toward project goals and complying with applicable laws and regulations. Specifically, program specialists told us they conduct quarterly monitoring calls with all PWI grantees in which they ask a series of 30 questions that help them to identify and proactively resolve problems with individual projects. The questions address several areas, including progress toward meeting goals, activities of the BACs, interaction with the state VR agency, and fiscal management. Further, Education requires that PWI grantees submit annual reports that include detailed information about project activities and performance, and informs grantees of this requirement as part of the application process. Education uses the project information it receives from grantees to identify those grantees that may be at risk of being out of compliance with program requirements and to target these grantees for additional assistance or for on-site reviews. Education also relies on the data it receives from grantees to provide information about grantees' performance in its annual reports to Congress.<sup>22</sup>

Although grantees are responsible for monitoring their own projects, Education is required to conduct random on-site reviews of 15 percent of

---

<sup>22</sup>By law, Education is required to develop standards for the annual review and evaluation of a grant recipient's project, which include a number of compliance indicators. These include, for example, the number of applicants and individuals eligible for a program, and the number of significantly disabled people who ended their participation in the program, became employed, and were still employed after 6 and 12 months.

---

PWI grantees annually.<sup>23</sup> On-site reviews are the primary means by which Education can assess the accuracy of the performance data submitted by grantees. Education conducted 11 of the 12 required on-site reviews in fiscal year 2006 and had scheduled the remaining review for November 2006. However, it conducted only 3 of the 12 required for 2005, and 0 in 2004, and therefore did not have enough information to provide reasonable assurance of the accuracy of the data submitted by grantees in those years. Although each of the PWI grantees that we visited had procedures in place to review the data they submitted to Education, a research organization conducted an evaluation of the program that raised doubts about the accuracy of PWI data submitted by grantees in general.<sup>24</sup> Specifically, reviewers found that about one-fifth of PWI grantees surveyed (19 out of 92) provided information on the number of persons placed in fiscal year 2001 that was inconsistent with the information they had submitted to Education.

Education is also required to submit an annual report to Congress analyzing the extent to which the individual grant recipients have complied with program evaluation standards.<sup>25</sup> In fiscal years 2003, 2004, and 2005, Education has met this requirement by providing summaries of the extent to which grantees have met program performance targets in its Performance and Accountability Report to Congress.

---

## Education's Oversight of Supported Employment Is Part of Overall VR Program Monitoring Efforts

Education's oversight of the Supported Employment State Grants program is integrated into its ongoing efforts to review and monitor state VR programs.<sup>26</sup> During fiscal year 2006, Education revised its annual state plan review protocols and prepared a draft on-site monitoring plan for the VR program.<sup>27</sup> Annual reviews include examining each state's VR program plans and other documentation, such as required annual data reports on

---

<sup>23</sup>29 U.S.C. § 795(f)(3)(A).

<sup>24</sup>RTI International, *Evaluation of the Projects with Industry Program, Final Report* (Research Triangle Park, N.C.: 2003).

<sup>25</sup>29 U.S.C. § 795(f)(5).

<sup>26</sup>For more information on Education's oversight of state VR programs, see GAO, *Vocational Rehabilitation: Better Measures and Monitoring Could Improve the Performance of the VR Program*, GAO-05-865 (Washington, D.C.: September 2005).

<sup>27</sup>The procedures were developed with input from national experts, state VR agency officials, State Rehabilitation Council members, VR consumer and advocacy groups, community partners and provider organizations and other key stakeholders.



---

VR customers, services, and outcomes; caseloads; and financial accountability and data reporting procedures. Education's October 2006 draft on-site monitoring protocols call for on-site reviews once every 3 years and are designed to verify and supplement the information it receives from the states regarding program performance and compliance, and include reviewing case files and holding public hearings or other discussions with VR program consumers and advocates, as needed. Education has not yet conducted any on-site reviews using the revised protocols, but plans to conduct its first reviews beginning in fiscal year 2007. Once fully implemented, the annual reviews and on-site monitoring, along with state-level activities, should offer reasonable assurance that the Supported Employment State Grants program is in compliance with applicable laws and regulations and the data that states submit to Education annually are accurate.

In addition, we found that all four states we visited had their own accountability procedures for ensuring that VR grant funds, including Supported Employment State Grants funds, were being used in accordance with federal laws and regulations. For example, the New York state VR agency has configured its automated information management system in a way that only authorizes payment for supported employment services to providers that have a contract to provide these services, at the contracted rates. In addition, three of the four states had adopted performance-based contracting systems, whereby vendors providing supported employment services, such as job coaching or training, are required to demonstrate progress toward required milestones in order to receive payment from the state agencies, and VR counselors monitor their progress on a weekly, biweekly, or monthly basis.

---

### Education Provides Little Oversight of the Randolph-Sheppard Program

Education provides little oversight of the Randolph-Sheppard program. Despite being required to conduct periodic evaluations of the program and being responsible for approving states' rules and regulations for implementing the Randolph-Sheppard Act,<sup>28</sup> Education has no formal procedures for evaluating state programs. In addition to lacking procedures, Education has performed few on-site monitoring reviews of SLAs in recent years. According to agency officials, Education has performed five on-site monitoring reviews since the beginning of fiscal year 2005 and had performed no recent site visits in the four states that we

---

<sup>28</sup>20 U.S.C. § 107a and 34 C.F.R. §§ 395.4 - .5.

---

visited. Education's oversight activities primarily consist of collecting data from states through annual reports from the SLAs that administer the program and providing requested technical assistance. Although the states report considerable information including earnings data; the number of vendors, facilities, individuals employed by vendors; types of facilities; costs; and sources of funding, Education does not test the accuracy of data that it requires states to report, nor does the agency routinely analyze the data to assess program performance and management. As a result, Education cannot assess trends in performance, identify possible best practices, or help states that may need assistance. Upon request, Education also provides technical assistance to SLAs. According to Education officials, technical assistance and guidance is regularly provided to SLAs through telephone calls and written correspondence, including e-mails, with staff on specific questions.

In its oversight role, Education has not provided clear guidance to states on emerging issues that could have nationwide implications. Instead, Education responds to individual state concerns and convenes panels to arbitrate disputes that SLAs are unable to resolve. As a result, states have different policies regarding the permissibility of teaming agreements, which partner licensed vendors with commercial food operators in order to help manage larger food service operations at dining facilities at military bases. SLAs may have such agreements for various reasons, such as state program officials' lack of expertise or licensed vendors' inexperience running such facilities. In these cases, the licensed vendor generally does not operate the food service facilities, but rather manages some aspects of food service operations. For example, one of the states we visited (Kansas) had a teaming agreement. One of the states we visited (New York) does not currently allow teaming agreements, while another (Arizona) has no policy regarding teaming agreements. The fourth state, North Carolina, permits teaming agreements but does not currently have any as of June 2006.

Although Education has noted the increasing use of teaming agreements, it has not issued guidance to the SLAs directly addressing whether these are in keeping with the spirit of the Randolph-Sheppard Act, or whether they should be subject to limitations, despite concerns expressed by states and others. For example, the California State Auditor found that by allowing teaming agreements, the SLA had inadequately protected the interests of the state and licensed vendors. The SLA had not (1) ensured that written contracts existed before beginning operations, (2) analyzed the investment and return on investment of the teaming agreement to the program and licensed vendors, (3) adequately reviewed the teaming agreements, or

---

(4) ensured that the commercial food service operators were paying their fair share of program costs. In addition, the Georgia State Auditor identified some concerns about teaming agreements, including the failure to define the duties for participating licensed vendors, resulting in these vendors having little, if any, responsibility for the overall operation and success of subcontracted food services. Further, the auditor noted that the program is not ensuring that the commercial food service operators are making progress toward the program's goal that licensed vendors eventually assume responsibility for operating the facility.

Additionally, Education has not provided clear guidance or policies regarding when federal agencies may charge fees or commissions to licensed vendors as a condition of operating a vending facility on federal property. The Randolph-Sheppard Act has been interpreted to prohibit commissions unless federal agencies obtain written approval from the Secretary of Education.<sup>29</sup> We found that licensed vendors have paid commissions or fees in some locations but not in others and the federal agencies had not obtained approval from Education. For example, in one state we visited (Kansas), at least one licensed vendor was required to pay 1.5 percent of total revenues to the U.S. Postal Service in exchange for permission to operate vending facilities on the agency's properties. However, Education has not prohibited such practices or required the Postal Service or other federal agencies charging commissions to obtain written approval. Furthermore, officials in Kansas have chosen not to dispute it. According to agency officials, Education has never approved such a limitation and cannot routinely monitor state-level or vendor-specific business negotiations, but would intervene to bring the parties together in an attempt to resolve disputes or make clear the requirements of the Randolph-Sheppard Act.

Although Education has exercised little oversight for this program, the four SLAs that we visited had certain procedures in place that should, if consistently operated along with other certain complementary processes and procedures such as management's monitoring of performance over

---

<sup>29</sup>Under 20 U.S.C. § 107(b), any limitation on the placement or operation of a vending facility shall be fully justified in writing to the Secretary, who shall determine whether such limitation is justified. In 2005, an arbitration panel ruled that a 10-percent commission charged by the U.S. Postal Service to licensed vendors without authorization of the Secretary of Education was a limitation not allowed under the law. The panel was convened by Education after it received a complaint and, as required by law, Education published a synopsis of the decision in the Federal Register. 70 Fed. Reg. 60803-04.

---

time, help safeguard program assets. SLA officials obtained cash register receipts, daily reports on business activities, or monthly reports submitted by the vendors to review the financial operations for these programs. However, audits of programs in other states have reported certain issues relating to the accountability of state-operated programs under the Randolph-Sheppard Act. For example, the Michigan Auditor General reported that SLA staff did not comply with established equipment inventory control procedures for program equipment and could not account for equipment inventory, placing inventory at risk of misappropriation.<sup>30</sup> Further, the California State Auditor reported that, among other things, the SLA has not followed up on missing financial reports from licensed vendors and has not been able to monitor licensed vendors' financial problems properly. In addition, the auditor found that the SLA was not adequately pursuing past-due commissions owed to the program by private businesses operating vending machines on federal properties.<sup>31</sup>

---

### Committee for Purchase Delegates Most Oversight Responsibilities for JWOD to Two Organizations That Represent the Interests of the Agencies They Oversee

The Committee for Purchase has established procedures for monitoring and overseeing the JWOD program, but has delegated most of the responsibility for monitoring participating JWOD nonprofit agencies to two central nonprofit agencies. As of April 2006, NIB officials reported that they worked with 81 participating JWOD nonprofit agencies that employed individuals who are blind, and NISH officials reported that they worked with 552 JWOD nonprofit agencies that employed individuals with other severe disabilities.<sup>32</sup> In particular, although the Committee for Purchase must approve the nonprofit agencies' participation in the program, it relies on the central nonprofit agencies to certify that:

- 75 percent or more of the direct labor hours under JWOD contracts are performed by individuals who are blind or have severe disabilities, and if not, that there is a suitable plan in place to bring this percentage up to the required level;

---

<sup>30</sup>Michigan Office of the Auditor General, *Performance Audit, Michigan Commission for the Blind, Department of Labor and Economic Growth and Family Independence Agency*, Report Number: 43-231-03 (October 2004).

<sup>31</sup>California State Auditor, *Department of Rehabilitation: Its Delay in Correcting Known Weaknesses Has Limited the Success of the Business Enterprise Program for the Blind*, Report No. 2002-031 (September 2002).

<sup>32</sup>NISH was formerly called National Industries for the Severely Handicapped.

- 
- agencies maintain required documentation for each of these individuals;
  - agencies function as nonprofit entities serving individuals who are blind or have severe disabilities;
  - agencies have a required job placement program; and
  - agencies comply with applicable occupational safety and health standards.

The Committee for Purchase requires that the JWOD nonprofit agencies certify annually that they are in compliance with program requirements but does not routinely verify this information, relying instead on the central nonprofit agencies to do so. According to agency officials, the Committee for Purchase performs about 20 field visits annually, visiting up to 3 agencies per visit, or about 60 of the more than 600 participating nonprofit agencies. At this rate, the Committee for Purchase is unable to satisfy its own requirements to perform on-site compliance reviews at each fully compliant participating nonprofit agency every 5 years.

The Committee for Purchase's regulations create at least two problems for NIB and NISH: the potential for a conflict of interest resulting from a lack of organizational independence as well as disincentives to perform their monitoring duties effectively. Specifically, these regulations require that NIB and NISH, on behalf of the Committee for Purchase, monitor the compliance of JWOD nonprofit agencies, but, at the same time, represent them in their dealings with the Committee for Purchase. Moreover, the regulations also permit NIB and NISH to charge a fee based on JWOD nonprofit agencies' sales to the government that does not exceed the limit set by the Committee for Purchase, and require the nonprofit agencies to pay that fee in order to remain in good standing in the program. This system of compensation may create a disincentive for NIB and NISH to identify instances of noncompliance that could result in the JWOD nonprofit agency losing its contract, especially for those JWOD nonprofit agencies that are generating large volumes of JWOD sales. Finally, although the regulations and procedures provide for a number of duties that the central nonprofit agencies must perform, they do not specify actions the Committee for Purchase can take if the central nonprofit agencies fail to execute these duties.

NIB and NISH officials reported that they monitor JWOD nonprofit agencies' compliance with relevant laws and regulations by conducting on-

---

site reviews of nonprofit agencies every 3 years,<sup>33</sup> and require quarterly statistical reports from the agencies they oversee. The Committee for Purchase has established procedures for these reviews that require each central nonprofit agency to use a standardized review sheet to assess whether the JWOD nonprofit agency is compliant in 11 different program areas, including the percentage of direct labor hours performed by individuals who are blind or have severe disabilities, documentation of an employee's disability, and an evaluation of whether or not the individual is capable of competitive employment.<sup>34</sup> The on-site reviews are the primary means for NIB and NISH to test the accuracy of the data that the JWOD nonprofit agencies submit, but the scope of the reviews may not be sufficient to provide reasonable assurance of the accuracy of all of the data. For example, NIB and NISH officials reported that they test the accuracy of the data for percentage of direct labor hours by reviewing a sample of case files, but they do not verify other data, such as job placement and upward mobility statistics. Further, they do not always report instances of noncompliance they find to the Committee for Purchase.

In the states we visited, reports from NIB's and NISH's on-site reviews generally showed that the JWOD nonprofit agencies were in compliance with program requirements, and most files contained the required documentation. Eleven of 13 agencies that we visited provided documentation of the results of their most recent on-site reviews showing they were in compliance. However, in our limited reviews of 137 case files at these 13 agencies, we found that 5 of 8 NISH agencies had at least 1 file that lacked the required medical documentation of a worker's disability, and that 3 of these 8 NISH agencies had at least 1 file that lacked the required documentation on competitive employment. We also found that one of the five NIB agencies we visited had one case file that lacked the required medical documentation. In sum, 11 percent of the files we reviewed at the NIB and NISH agencies we visited lacked the required medical or competitive employment documentation.

---

<sup>33</sup>In 2005, NIB performed about 27 on-site reviews in 2005 and NISH performed about 180, according to agency officials.

<sup>34</sup>For individuals employed at NISH associated agencies, any individual who is capable of competitive employment is not considered severely disabled, according to program regulations. See the Committee for Purchase's Compliance Memorandum No. 7, "On-Site Compliance Reviews," dated May 6, 1998.

---

A serious instance of noncompliance escaped detection by the responsible central nonprofit agency (NISH) and the Committee for Purchase. In this case, the National Center for the Employment of the Disabled (NCED) in El Paso, Texas, failed to use workers with severe disabilities to perform the required percentage of direct labor hours on its JWOD contracts, which were valued at over \$200 million. Instead, NCED inflated its reported percentage by improperly including economically disadvantaged workers. The problems at NCED were detected not through routine monitoring, but rather through an anonymous tip to the Committee for Purchase, and resulted in as many as 1,144 JWOD jobs being lost to individuals who did not have severe disabilities during fiscal years 2004 and 2005. The JWOD nonprofit agency took actions prescribed by the Committee for Purchase to come into compliance, including dividing the agency's operations into two different units—one for JWOD work and one for commercial activities—and the Committee for Purchase is satisfied with the actions taken.

The definition of a severe disability in the law allows for differing interpretations, which may complicate efforts to ensure compliance for agencies that serve individuals who have severe disabilities. The statutory definition of blindness is fairly straightforward: a lack of visual acuity of not more than 20/200 in the better eye with correcting lenses or a limited field of vision of not more than 20 degrees. In contrast, the definition of a severe disability requires a diagnosis of a residual, physical or mental impairment that limits functioning in one of five areas (mobility, communication, self-care, self-direction, and work tolerance or work skills), and a determination that the impairment has rendered the individual unable to engage in normal competitive employment over an extended period of time. Despite the fact that the definition is subject to interpretation, the Committee for Purchase has offered little additional guidance that would clarify when disabilities that may not normally be considered severe could be, such as the conditions under which a recovering alcoholic or a person with diabetes could be considered to have a severe disability. During our review of case files at 13 JWOD nonprofit agencies, we noted instances where it was unclear in the medical documentation that the disability was severe, such as a case in which the individual was diabetic, with no indicated symptoms, and another in which the individual was diagnosed as having an aggressive personality.

---

## Conclusions

All four of these programs generally provide training and employment opportunities that might not otherwise be available for individuals who are

---

blind or have severe disabilities. However, two are hampered by weaknesses in performance management and program oversight that signal a need for stronger federal leadership. Absent federal goals for the Randolph-Sheppard program and routine analyses and reports from Education on states' program operations and performance, little is known about how this program is improving the lives of participants. Having such information about outcomes is an important component of any program, and essential during times of fiscal austerity. Further, by not exercising more oversight and issuing clear guidance to all states on emerging issues that could affect program participants, Education may be missing an important opportunity to help states improve program operations or proactively respond to these issues. While recognizing that there may be increased costs for improved oversight, these costs could be minimized by, for example, monitoring Randolph-Sheppard activities as part of Education's oversight for the VR program. Although the Committee for Purchase has made significant progress in developing goals for the JWOD program, some of the goals lack key elements—clear measures and performance targets. Also, the current approach for overseeing nonprofit agencies operating under the JWOD program poses difficult challenges for the two central nonprofit agencies in managing the conflicts of interest that may exist because of their lack of organizational independence, and therefore demands strong and effective oversight from the Committee for Purchase. Ensuring program integrity is particularly important for JWOD since nonprofit agencies are given a competitive advantage over private business and industry in the federal procurement system to ensure that opportunities are provided to individuals with severe disabilities.

---

## Recommendations

1. To improve program performance management and oversight, we recommend that the Secretary of Education provide more effective leadership of the Randolph-Sheppard program by:
  - establishing performance goals to identify desired programwide outcomes that assess states' licensed vendor programs' performance as a whole in achieving established goals;
  - being more proactive in disseminating clear, consistent and routine guidance about program requirements and prohibited practices to federal agencies and states; and
  - strengthening their monitoring of SLA and Randolph-Sheppard program performance in a cost-effective manner.



- 
2. To improve program performance management, we recommend that the Chairperson for the Committee for Purchase assess goals and measures for JWOD to ensure that they are clear, measurable and continue to capture key aspects of program performance as the Committee for Purchase continues to develop its performance management system.
  3. To help ensure that JWOD nonprofit agencies comply with program laws and regulations, we recommend that the Chairperson of the Committee for Purchase improve procedures for overseeing these agencies. This could include requiring the central nonprofit agencies to enter into written contracts with the Committee for Purchase that clearly lay out their oversight responsibilities and the consequences for failing to fulfill them, providing a means of compensating the central nonprofit agencies for their services that provides an incentive for effective enforcement, or having the Committee for Purchase assume greater responsibility for oversight of JWOD nonprofit agencies, by performing more on-site compliance reviews.

---

## Agency Comments and Our Evaluation

We received written comments on a draft of this report from the Department of Education and the Committee for Purchase. Education and the Committee for Purchase generally agreed with our recommendations and provided information on activities they had underway or planned.

Education agreed that it should provide more effective leadership of the Randolph Sheppard program and commented that the actions we recommended were consistent with the steps the program is taking to improve program administration. Some of the steps Education cited included developing appropriate performance goals, enhancing its efforts to provide clear and consistent guidance, and improving program monitoring. We believe these efforts will help to improve program performance management and oversight.

The Committee for Purchase agreed that its performance goals and measures for the JWOD program should be assessed to ensure that they are clear and quantifiable. However, the Committee for Purchase commented that its regulations did not intend for “training” to be taken literally as a mission output and, therefore, the agency did not establish a separate goal for training activities. Rather, the Committee for Purchase stated that it viewed training as an important, but incremental activity that equips persons who are blind or have severe disabilities with the knowledge and skills necessary for employment, which it considers the

---

paramount goal of the program. Also, the Committee for Purchase believes the reporting requirements for establishing a separate goal for training would burden the nonprofit agencies. To avoid confusion over the Committee for Purchase's goals in the future, the agency plans to clarify its regulations. While we believe that training is key to preparing persons who are blind or have severe disabilities for employment, we can understand the Committee for Purchase's view that the paramount program goal is employment. Clarifying the regulations regarding the Committee for Purchase's intent with respect to the role of training may make it clear that a separate goal for training is not essential.

With respect to ensuring effective monitoring and oversight, the Committee for Purchase agreed that more guidance was needed to help ensure that JWOD nonprofit agencies comply with program laws and regulations. Additionally, the Committee for Purchase commented that it has recently begun taking steps to address possible conflicts of interest between the two roles played by the central nonprofit agencies. The Committee for Purchase also commented that it is considering establishing other oversight and compliance mechanisms and in its proposed fiscal year 2007 budget included three new positions and additional funding for oversight, compliance monitoring, and program review. We believe the Committee for Purchase's proposed actions are positive steps toward helping to ensure that JWOD nonprofit agencies comply with program laws and regulations.

Education and The Committee's comments appear in appendixes III and IV, respectively. Both agencies also provided technical comments, which we have incorporated into the report as appropriate.

---

We are sending copies of this report to the Secretary of Education, Chairperson of the Committee for Purchase, relevant congressional committees, and others who are interested. Copies will also be made available at no charge on GAO's Web site at <http://www.gao.gov>.

---

Please contact me on (202) 512-7215 if you or your staff have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs can be found on the last page of this report. Other major contributors to this report are listed in appendix V.

A handwritten signature in black ink, appearing to read "Robert E. Robertson". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert E. Robertson  
Director  
Education, Workforce, and Income Security

---

# Appendix I: Objectives, Scope, and Methodology

---

The objectives of our study were to assess to what extent (1) performance goals and measures have been established for these programs and (2) the agencies responsible for these programs have established adequate procedures for overseeing program implementation and assuring laws and regulations are followed.

To determine what performance goals and measures have been established for these programs, we reviewed program laws, guidance, and performance-related documents. To obtain additional information about the performance goals and measures, and determine the extent that the agencies responsible for these programs have established adequate procedures for overseeing program implementation and assuring that laws and regulations are followed, we (1) reviewed federal laws, regulations, and guidance to determine the programs' requirements; and (2) interviewed agency officials at the Rehabilitation Services Administration (RSA) within the Department of Education, and the Committee for Purchase from People Who Are Blind or Severely Disabled (Committee for Purchase). In addition, we interviewed officials of the two central nonprofit agencies—the National Industries for the Blind (NIB) and NISH—that have been delegated certain oversight responsibilities for Javits-Wagner-O'Day (JWOD) member nonprofit agencies by the Committee for Purchase.

To obtain additional information about program goals and measures and oversight for the four programs, we conducted site visits to four states (Arizona, Kansas, New York, and North Carolina). During these visits, we met with state VR agency officials to discuss the Supported Employment, Projects with Industry (PWI), JWOD, and Randolph-Sheppard programs. In addition, we visited 4 PWI grantees, 13 JWOD nonprofit agencies, and 7 Randolph-Sheppard vendors. Several criteria were used in selecting the states to visit. States that were considered had all four of the employment-related disability programs currently present and operating in them. States varied in the administration of their VR programs with about half of all states having two separate programs—one for the general VR and a separate one for the blind—and the remaining states having only one VR program. We selected two states (New York and North Carolina) that had both general and blind VR programs, and two states (Arizona and Kansas) that had one VR program that served all people with disabilities seeking employment-related assistance. In addition, we selected states based on a review of information about the characteristics of NIB and NISH member nonprofit agencies to include both large and small, urban and rural, and different kinds of work performed (products and services). States were also selected to include geographic diversity.

During the state visits, we met with officials representing each of the four programs. For Education's programs, we interviewed local officials of nonprofit agencies with PWI grants, state program administrators for the state-operated Randolph-Sheppard programs as well as licensed vendors, and state VR officials responsible for administering the Supported Employment State Grants program. For JWOD, we interviewed chief executive officers or their representatives of the JWOD nonprofit agencies with current federal contracts to provide goods and/or services. In addition, during these meetings, we collected documentation to ascertain how the federal and two central nonprofit agencies were monitoring their respective programs. We also reviewed the records of 137 workers who were blind or had severe disabilities, selecting some records at each of the 13 JWOD nonprofit agencies we visited. The records were randomly selected from lists of current JWOD workers. A random number generator was used to assign a number to each name on the active roster and records were selected on the basis of the number—starting with the lowest number. During the record review, we assessed whether the agencies' files of workers who were blind or had severe disabilities contained required medical documentation and assessment of ability to work in competitive employment.

We determined that the fiscal and program data we used in this report was reliable for our purposes. To make this determination, we assessed the reliability of fiscal and programmatic data by interviewing officials knowledgeable about the data and the steps they take to ensure accuracy. For Supported Employment, prior GAO work had systematically tested relevant variables, including all 22 variables of the services provided. In addition, for this engagement we obtained documentation from two states (Kansas and New York) that described the states' procedures for checking the reliability of their data. Programmatic data collected by the Committee for Purchase for the JWOD program, and Education for the PWI and Randolph-Sheppard programs were self-reported by local program officials. For example, reviews of the information reported by officials for the PWI program were generally performed by project managers. For fiscal reporting, however, we found that JWOD nonprofit agencies, PWI grantees, and licensed vendors generally had systems and procedures for stronger accounting of financial data. For example, state licensing agency (SLA) officials used cash register receipts and routine reports on business activities submitted by the licensed vendors to the SLAs to review the financial information for these programs. In addition, licensed vendors were also required to complete merchandise inventories at least once each year.

We also reviewed other available reports on the Randolph-Sheppard program of the states visited, and reviewed the findings and recommendations of state audit reports from four other states—California, Georgia, Michigan, and South Carolina—that had evaluated all or certain aspects of their state-operated Randolph-Sheppard programs in recent years. In addition, we interviewed officials of agencies engaged in disability research and advocacy at the national level to learn more about each of the objectives. These organizations were the Council of State Administrators of Vocational Rehabilitation, Disability Policy Collaboration, Easter Seals, Goodwill Industries International, National Council on Disability, and the National Council of State Agencies for the Blind. We also met with officials of the General Services Administration, a federal procurement agency and partner of the JWOD program.

We conducted our work between March 2006 and December 2006 in accordance with generally accepted government auditing standards.

# Appendix II: Performance Goals and Measures for the Javits-Wagner-O'Day (JWOD) Program

**Table 5: JWOD Performance Goals and Measures**

Performance goals	Performance measures
Continue to expand employment opportunities for people who are blind or have other severe disabilities under the JWOD program, including wage progression, benefits, upward mobility, and personal job satisfaction.	<ul style="list-style-type: none"> <li>• Percentage increase in direct labor hours performed by people who are blind or have other severe disabilities on JWOD products and services.</li> <li>• Percentage increase in the number of people who are blind or have other severe disabilities employed in direct labor positions on JWOD products/services.</li> <li>• Percentage increase in the number of people receiving benefits versus not receiving benefits.</li> <li>• Percentage decrease in the number of people receiving less than the federally-mandated minimum wage or Service Contract Act wage rate, segmented by disability.</li> <li>• The number of employees who are blind or have other severe disabilities who are promoted into a direct labor job, other than supervisory or management positions, which includes increased wages and/or fringe benefits, not attributed to cost of living or productivity increases of less than 20 percent. Promotions can be movement between JWOD and non-JWOD jobs.</li> <li>• The number of employees who are blind or have other severe disabilities who are promoted into an indirect labor job requiring supervisory, management, or technical skills, that included increased wages and/or fringe benefits, not attributed to cost of living raises.</li> <li>• The number of employees who are blind or have other severe disabilities who leave the nonprofit agency through competitive or supported employment placements.</li> </ul>
Partner with federal customers to increase customer satisfaction and loyalty, so that the JWOD program becomes their preferred source for products and services.	<ul style="list-style-type: none"> <li>• Federal agency scorecard that evaluates the level of satisfaction with JWOD products, services and/or customer experience among key federal agencies, using a stoplight or similar summary format.</li> <li>• Time to resolve customer questions or complaints received via the central customer feedback mechanism(s) or other means of communication.</li> <li>• Increased customer satisfaction with quality, timeliness, and price, based on customer surveys and/or alternative qualitative research (e.g., focus groups).</li> </ul>
Improve efficiency and effectiveness of the JWOD program by streamlining and automating processes and procedures, and improving communication, while continuing to ensure program integrity.	<ul style="list-style-type: none"> <li>• Overhead cost as a percentage of JWOD program direct labor hours, calculated as total Committee for Purchase budget plus central nonprofit agencies' operating and supporting costs (excluding capital expenditures), divided by total number of direct labor hours, segmented by overall program (Committee for Purchase plus central nonprofit agencies' overhead), National Industries for the Blind (NIB) and NISH.</li> <li>• Reduction in the cycle time for the addition of a new JWOD product or service to the procurement list.</li> <li>• Percentage increase in sales of products through commercial distribution channels, segmented by product category.</li> <li>• Ranking of commercial distributors, evaluated against consistent program performance expectations, including compliance with the Committee for Purchase's Essentially The Same (ETS) requirements, segmented by product category.</li> <li>• Milestone tracking of evaluation of commercial distribution processes, including staff resources and financial resources.</li> </ul>

**Appendix II: Performance Goals and  
Measures for the Javits-Wagner-O'Day  
(JWOD) Program**

Performance goals	Performance measures
	<ul style="list-style-type: none"> <li>• Percent of information technology projects on which the Committee for Purchase, central nonprofit agencies, and nonprofit agencies collaborated to increase efficiency and exchange of information.</li> <li>• Decrease in the percentage of JWOD nonprofit agencies found out of compliance, segmented by reason.</li> <li>• Consider a future measure linked to the results of governance and executive compensation actions.</li> </ul>
Expand awareness, understanding, and preference for the JWOD program within the public, Congress, federal agencies, the disability community, and other JWOD stakeholders through effective communication and information sharing.	<ul style="list-style-type: none"> <li>• Effectiveness of communication and information sharing measured by increased percentages in awareness, familiarity (understanding) and preference, segmented by key stakeholders.</li> <li>• Milestone tracking of annual update and implementation of a plan that addresses communication and information sharing with and among both internal and external stakeholders.</li> <li>• Analysis of program-level communications execution to ensure that program resources are used in support of the strategic communications plan.</li> <li>• Analysis of program-level publications, events, and other communications tools to evaluate message alignment.</li> <li>• Facilitate nonprofit agency adoption of program messaging and branding.</li> <li>• Awareness, understanding, preference among federal customers, segmented by Department of Defense and civilian agencies.</li> <li>• Awareness, understanding, preference for "the disability community," comprised of government policy makers, academia, and private membership or advocacy organizations for people who are blind or have other severe disabilities.</li> <li>• Among members of congressional committees or subcommittees with oversight or other significance for the JWOD program, number who have been educated about the JWOD program and/or actively engaged with their local JWOD-participating nonprofit agency(ies).</li> </ul>
Strategically develop new markets and expand existing markets in which the JWOD program can provide best value products and services to federal customers in order to expand employment opportunities that meet the needs of people who are blind or have other severe disabilities.	<ul style="list-style-type: none"> <li>• Milestone tracking of establishment and implementation of a program market development plan that addresses existing customers, existing products/services, new customers, and new products/services.</li> <li>• Percent increase in the employment of people who are blind or have other severe disabilities under the JWOD program, measured in (1) actual direct labor hours, (2) actual jobs, (3) projected direct labor hours on procurement list additions, and (4) projected jobs on procurement list additions by key market segment.</li> <li>• JWOD goal achievement, by agency and overall federal government.</li> <li>• Milestone tracking of establishment and implementation of a strategy for greater cooperation between JWOD and the small business community, which may explore counting appropriate JWOD awards toward the annual Small Business procurement goals and/or the federal government's inclusion of disability-owned businesses within the small business measure categories (relates to leveraging the JWOD program to create additional jobs in the commercial sector).</li> <li>• Milestone tracking of implementation of a strategy for greater cooperation between JWOD and Randolph-Sheppard programs.</li> <li>• Milestone tracking of establishment and implementation of a strategy for greater cooperation with service-disabled veterans' businesses.</li> </ul>

Source: Final FY 2007-2009 Strategic Plan for the Javits-Wagner-O'Day (JWOD) Program, Committee for Purchase From People Who Are Blind or Severely Disabled, October 16, 2006.



# Appendix III: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

THE ASSISTANT SECRETARY

JAN 10 2007  
Robert E. Robertson, Director  
Education, Workforce, and Income Security Issues  
United States Government Accountability Office  
441 G Street N.W.  
Washington, D.C. 20548

Dear Mr. Robertson:

Thank you for the opportunity to review the draft report to Congressional Requesters: **FEDERAL DISABILITY ASSISTANCE—Stronger Federal Oversight Could Help Assure Multiple Programs' Accountability**, GAO-07-236. The Government Accountability Office (GAO) reviewed four employment programs in this study, including three programs administered by this Department (Projects With Industry, the Supported Employment State Grant program, and the Randolph-Sheppard Act program). The draft report includes a recommendation on one Department program, the Randolph-Sheppard Act program. This Department does not administer the fourth program reviewed by GAO, the Javits-Wagner-O'Day (JWOD) program, and thus, we are not providing comments on the report as it pertains to that program.

We generally agree with the recommendation in the report, and discuss below the steps the Department is already taking to improve program administration and performance. We have also enclosed some technical comments on several specific matters discussed in the draft report in an effort to make the report clearer and more accurate.

The first program discussed in the report, Projects With Industry (PWI), is a discretionary grant program assisting individuals with disabilities to obtain competitive employment. You found PWI to have an appropriate performance goal with four measures, including a new efficiency measure established in fiscal year 2006. You noted that the Department performed appropriate monitoring and oversight activities, and that on-site monitoring is improving. GAO made no recommendations to the Secretary on this program. The Department will continue its efforts to improve data quality, and monitoring to help improve the performance of PWI grantees.

The Supported Employment State Grant program was the second program reviewed for which GAO made no recommendations to the Secretary. You noted that the Department has a goal to measure (at least, indirectly), program performance in placing participants into competitive employment. For fiscal years (FY) 2003-04 the performance targets set were greatly exceeded. For FY 2005, the target was missed by 0.4 percent after having been raised 15 percent from the preceding year. As you have noted, the program is closely aligned with the far larger state vocational rehabilitation formula grant program

400 MARYLAND AVE., S.W., WASHINGTON, D.C. 20202-2500  
[www.ed.gov](http://www.ed.gov)

*Our mission is to ensure equal access to education and to promote educational excellence throughout the nation.*

closely aligned with the far larger state vocational rehabilitation formula grant program that also provides services to individuals who may obtain employment in the specialized supported employment outcome. As noted in the report, because of the relationship of the Supported Employment State Grant program to the larger program, it is somewhat difficult to isolate the effects of the smaller program and measure those effects directly.

The Randolph-Sheppard (R-S) Act program was the third Department program reviewed. GAO made a recommendation to the Secretary that includes establishing performance goals, being more proactive in disseminating clear and consistent guidance, and strengthening monitoring. The Department agrees with the recommendation, and note that it is consistent with steps the Department is already taking to improve program administration.

Prior to the GAO study, the Department initiated a number of administrative activities and steps to improve the management, performance and accountability of the R-S program, and we are building on those activities and steps. The Department is in the process of developing appropriate performance goals, is enhancing its efforts to provide clear and consistent guidance, and has taken steps to improve and enhance its program monitoring. For example, the Department completed compliance reviews pertaining to state regulations and set-aside schedules in fiscal year 2006 for eight states: Iowa, Texas, Maine, Alabama, Oklahoma, Wisconsin, Nevada and Hawaii, and we are completing final reports for monitoring in South Carolina, Hawaii, West Virginia, Wisconsin and the District of Columbia. These initiatives are substantially aligned with and are addressing the recommendations in the draft report.

We have attached a summary of several more specific and technical comments and suggestions to help make the report clearer and more accurate. We look forward to working with the Government Accountability Office in your new study of military food service and the role of R-S agencies and JWOD as contractors to the Department of Defense. Please let me know if you have any questions about our comments. We appreciate the opportunity to review the draft report and provide comments.

Sincerely



John H. Hager

Enclosure

# Appendix IV: Comments from the Committee for Purchase from People Who Are Blind or Severely Disabled



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

703-603-7740  
FAX 703-603-0655

January 5, 2007

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

Mr. Robert E. Robertson  
Director  
Education, Workforce, and  
Income Security Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

RE: Comment on Draft Report GAO-07-236

Dear Mr. Robertson:

As you requested in your note of December 14, 2006, here are the agency comments of the Committee for Purchase From People Who Are Blind or Severely Disabled (the Committee) on the subject report. The report reflects the efforts of your staff to learn and understand our somewhat obscure program. We are generally satisfied with the findings and recommendations. However, there are a few areas where we believe improvements can be made. For example:

(a) The report states under Results in Brief on pages 3: "For the JWOD program, the Committee for Purchase first developed performance goals and measures as part of their fiscal year strategic plan, but did not include a key component –performance targets–necessary for assessing performance. The Committee for Purchase has since revised its performance management system and established some performance targets, but cannot yet report progress toward its goal. Measures under the revised system have some limitations, such as not being clearly defined or being difficult to measure."

We believe that a more accurate statement would be: "That while the strategic plan as adopted by the Committee for the Javits-Wagner-O'Day (JWOD) Program for FY 2007-2008 does have some strategic goals and objectives that are readily quantifiable, and thus have specific targets identified, other goals and objectives which are more qualitative in nature still require benchmarking in order to develop appropriate measures or targets. The Committee has revised its performance management system and agrees that over the next few years, milestone-tracking and "to-be-determined" targets will be converted to more objective, quantifiable targets. As benchmark data is collected in several areas during FY 2007, an update of the strategic plan will include more specific targets by FY 2008."

An Independent Agency of the United States Government Established by the Javits-Wagner-O' Day Act. **JWOD**

Federal Recycling Program



Printed on Recycled Paper

(b) The report states under Results in Brief on page 4: “With regard to JWOD, the Committee for Purchase delegates most of its responsibilities for monitoring compliance to two central nonprofit agencies that must represent the interests of the JWOD nonprofit agencies they oversee.”

We believe that a more accurate statement would be: “With regard to JWOD, the Committee for Purchase does perform some compliance monitoring for its participating nonprofit agencies. However, the majority of the compliance visits made to the over 600 participating nonprofit agencies are delegated to be performed by the Committee’s two designated central nonprofit agencies, which also must represent the interests of the JWOD nonprofit agencies they oversee.”

(c) The report states under Javits-Wagner-O’Day on page 10 that: “the total program sales for 2006 are estimated at \$3 billion.” Our most recent estimates indicate that this figure is closer to \$2.3 billion. Additionally, the report states: “that the JWOD program provides employment for over 45,000 people who are blind or have severe disabilities.” Our most recent estimates indicate that this figure is closer to 48,000.

(d) The report states under Javits-Wagner-O’Day on page 11 that: “.....for the purposes of the JWOD program, an agency must employ persons who are blind or have severe disabilities to perform at least 75 percent of the work-hours of direct labor during the fiscal year to furnish such commodities or services.”

We believe that a more accurate statement would be: “...for the purposes of the JWOD program, an agency must employ persons who are blind or have severe disabilities to perform at least 75 percent of the work-hours of direct labor during the fiscal year to furnish such commodities or services (whether or not the commodities or services are procured under the JWOD Act).”

(e) The report states under “The Committee for Purchase Recently Updated its Strategic Plan” on page 16 that: “However, these goals do not address one part of the program’s mission, which is to increase training opportunities.”

It is our opinion that the term “training” as it appears at 41 C.F.R. 51-1.1(a) is not intended to be taken literally as a mission output. We view training as an important but incremental activity that equips persons who are blind or severely disabled with the knowledge and skills necessary for employment, which we consider the paramount goal of our program. Accordingly, we have not established a separate goal for training activities, nor do we believe it appropriate to burden our nonprofit agencies with an additional reporting requirement for training. The Committee will clarify the policy statement in 41 CFR 51-1.1(a) to avoid confusion over the Committee’s goals in the future.

(f) The report states under “Uneven Federal Oversight Provides Little Assurance” on page 19 that: “while the Committee has established procedures for monitoring and overseeing the JWOD program, it has delegated responsibility for these functions to the

---

**Appendix IV: Comments from the Committee  
for Purchase from People Who Are Blind or  
Severely Disabled**

---

3

central nonprofit agencies, raising questions about those agencies' independence, as they are also charged with representing the producing nonprofit agencies."

We would like it to be noted that the Committee has recently begun taking steps to eliminate any possible conflict of interest between the two roles. At its December 14, 2006 meeting, the Committee's Governance Subcommittee considered establishing other mechanisms for performing the program's oversight and compliance monitoring functions. The Subcommittee plans to continue this consideration at its next meeting, and to recommend to the Committee shortly an alternative to continued performance of these functions by the two existing central nonprofit agencies. As for the Committee's own efforts in this area, the Administration's budget for Fiscal Year 2007 included three new positions and additional funding which the Committee will use for oversight, compliance monitoring, and program review, if this part of the budget is enacted.

(g) The report states under "Committee for Purchase Delegates Most Oversight" on page 25 that the level of central nonprofit agency compensation by the producing nonprofit agencies is negotiated by those parties is not accurate.

The Committee's regulations, at 41 CFR 51-3.5 and 51-4.3(b)(9), permit the central nonprofit agencies to charge a fee based on nonprofit agency sales to the Government that does not exceed the limit set by the Committee, and require the nonprofit agencies to pay that fee in order to remain in good standing in the program. To our knowledge, individual fees are not usually negotiated.

(h) The report states under "Committee for Purchase Delegates Most Oversight" on page 27 "that the Committee has offered little guidance on when a disability may be considered severe."

The Committee would like it to be noted that the Committee's regulations at 41 C.F.R. § 51-4.3. require that each nonprofit agency employing persons with severe disabilities participating in the JWOD Program shall maintain in each individual with a severe disability's file a written report signed by a licensed physician, psychiatrist, or qualified psychologist, reflecting the nature and extent of the disability or disabilities that cause such persons to qualify as a person with a severe disability, or a certification of the disability or disabilities by a State or local governmental entity. It also states that reports must state whether that individual is capable of engaging in normal competitive employment. These reports shall be signed by a person or persons qualified by training and experience to evaluate the work potential, interests, aptitudes, and abilities of persons with disabilities and shall normally consist of preadmission evaluations and reevaluations prepared at least annually. The file on individuals who have been in the nonprofit agency for less than two years shall contain the preadmission report and, where appropriate, the next annual reevaluation. The file on individuals who have been in the nonprofit agency for two or more years shall contain, as a minimum, the reports of the two most recent annual reevaluations.

---

**Appendix IV: Comments from the Committee  
for Purchase from People Who Are Blind or  
Severely Disabled**


---

4

However, the Committee realizes that more guidance is needed. We are currently in the final stages of creating a new staff manual providing detailed guidance on disability definitions, interpretations, and documentation requirements. This manual will be made available to our community and interested persons through the Committee website by March 2007.

Thank you for the opportunity to review and comment on your draft report. We look forward to receiving the final report.

Sincerely,

  
Leon A. Wilson, Jr.  
Executive Director

---

# Appendix V: GAO Contact and Staff Acknowledgments

---

## GAO Contact

Robert E. Robertson (202) 512-7215

---

## Acknowledgments

The following individuals made important contributions to this report: Shelia D. Drake, Timothy Hall, Regina Santucci, Don Allison, Rachael Valliere, Daniel Schwimer, Walter Vance, and Robert Owens.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to [www.gao.gov](http://www.gao.gov) and select "Subscribe to Updates."

---

## Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office  
441 G Street NW, Room LM  
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000  
TDD: (202) 512-2537  
Fax: (202) 512-6061

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Gloria Jarmon, Managing Director, [JarmonG@gao.gov](mailto:JarmonG@gao.gov) (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, D.C. 20548

---

## Public Affairs

Paul Anderson, Managing Director, [AndersonP1@gao.gov](mailto:AndersonP1@gao.gov) (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548