

A Review of Agency Restructuring and the Business Enterprise Program at the South Carolina Commission for the Blind

The South Carolina Commission for the Blind was created in 1966 as a separate agency and began operations in 1967. The mission of the commission includes providing quality, individualized vocational rehabilitation services, independent living services, prevention services, and children's services for blind and visually impaired South Carolinians. Legal blindness is defined as having a central visual acuity of 20/200 or less in the better eye with the best possible correction, or a visual field of 20 degrees or less. SCCB estimates that there are between 10,000 and 12,000 blind and visually impaired persons in South Carolina and in FY 00-01, the commission served 4,480. In FY 00-01, SCCB had revenues of approximately \$10.5 million and expenditures of approximately \$10.4 million.

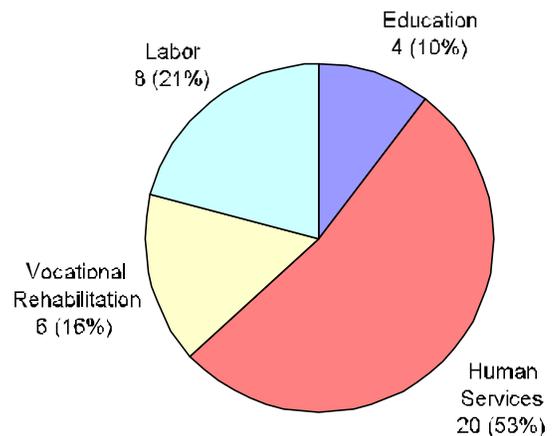
RESTRUCTURING ISSUES

One of our audit objectives was to review the advantages and disadvantages of restructuring the S.C. Commission for the Blind (SCCB). We examined the South Carolina Vocational Rehabilitation Department (SCVRD) as the most appropriate agency to consider for combination. There are several options for merging all or part of the SCCB's operations with SCVRD which could lead to increased efficiency and lower cost without adversely affecting the quality of services. All options would still allow blind services to be provided under a separate state plan and separate funding.

Other States

There are currently 12 states, including S.C., with stand-alone agencies. Another 13 states are considered separate by the RSA because they have a separate state plan and separate funding. For example, N.C., considered separate by the RSA, provides services through a division of its Department of Health and Human Services. Of the remaining 25 states that are combined, most have a separate division for providing blind services.

Type of Agency Providing Services in 38 States Without a Stand-Alone Agency



THE GENERAL ASSEMBLY COULD:

- CREATE A DIVISION FOR THE BLIND WITHIN SCVRD.
- COMBINE THE ADMINISTRATIVE, VOCATIONAL REHABILITATION, AND DISABILITY DETERMINATION FUNCTIONS WITH SCVRD.
- COMBINE ONLY THE ADMINISTRATIVE FUNCTIONS LEAVING THE SCCB SEPARATE FOR CLIENT

Funding

Federal funding for rehabilitation services could be maintained at current levels if the agency were restructured. The amount of funds could be designated to ensure appropriate funding.

Potential Cost Savings

By combining aspects of SCCB with SCVRD, certain economies of scale and cost-savings could be realized. Administrative combination could especially reduce duplication.

- SCCB currently has leases for ten district offices with a combined rent of \$140,000. All but one of these offices are less than three miles from the closest SCVRD district office.
- Both agencies have staff in similar administrative departments. SCVRD has 7 in human resources serving approximately 1,200 employees and SCCB has 4 serving approximately 150.
- SCCB has a 1-person disability determination unit while SCVRD has a 312-person unit. Both are entirely federally funded.

MANAGEMENT OF THE BUSINESS ENTERPRISE PROGRAM

Federal and state law authorizes the SCCB to operate vending facilities in any public property to provide blind persons with paid employment, greater economic opportunities, and assistance to become self-sufficient. SCCB's Business Enterprise Program operates with a total budget of approximately \$1 million and has 15 full-time employees. In FY 00-01, the SCCB oversaw the operation of 110 vending stands. The type of stands ranged from cafeterias serving full meals to stands consisting entirely of vending machines. The BEP has not been effective in meeting its goals. Funds used to support the program would be better spent on other vocational rehabilitation services within the SCCB. Individual vendor income ranged from less than \$10,000 to more than \$90,000 in FY 00-01. The vendors had an average yearly income of \$24,988.

PROGRAM EFFECTIVENESS

Self-Sufficiency

The Business Enterprise Program is not effective in helping blind individuals achieve self-sufficiency. Eighty-nine (82%) of the vendors in the BEP are still receiving Social Security Disability Income (SSDI) or Supplemental Security Income (SSI).

Program Costs

Reducing the amount of funds spent on the BEP would allow more funds to be spent on general VR services for the blind. This could result in a larger number of blind and visually impaired individuals being served.

SCCB spends approximately \$1 million per year on the BEP — approximately \$8,800 per vending facility. The BEP program serves 2% of the SCCB's clients; however, state and federal expenditures for the BEP constitute 10% of the agency's total state and federal expenditures. The BEP has 7 counselors to serve 110 clients while SCCB's vocational rehabilitation program has 11 counselors to serve 1,432 clients. In addition, the BEP uses 18% of vocational rehabilitation funds and serves 8% of the total VR population.

Vending Routes

The type of employment offered by the BEP program may not be ideally suited to blind individuals. Fifty-nine (54%) of the 110 stands are full-line vending. These stands consist of all items vended through a vending machine. Some of the vending routes cover several miles. For example, one vending route consists of five different locations covering 39 miles.

Vendor Assistants

The BEP has not been effective in employing blind or visually impaired assistants. There are 72 paid helpers in the BEP; however, only 6 (8%) are blind or visually impaired. Other states encourage hiring blind assistants. SCCB could work with SCVRD to determine if any of its clients could make suitable assistants for blind vendors.

Low-Income Stands

Certain stands may not provide sufficient income to vendors or offset the cost to the BEP. In FY 00-01, 15 (14%) of 110 stands had vendor earnings of less than the \$8,800 average BEP spends to service each of the stands.

Attendance at Interstate Vending Stands

We contacted 29 vending facilities located on the interstate highways during the prescribed work hours to determine if the blind vendors were present. At 14 (48%) of the 29 facilities there were no vendors or assistants present during the required work hours.

THE GENERAL ASSEMBLY SHOULD AMEND §43-26-20
OF THE S.C. CODE OF LAWS TO ELIMINATE THE REQUIREMENT
THAT SOUTH CAROLINA HAVE A BUSINESS ENTERPRISE PROGRAM.

Full-Service Machines

Full-service machines are machines *that a blind vendor contracts with a private supplier to service*. The supplier then pays the blind vendor a percentage of the sales from those machines. By placing machines on full service, a vendor receives income without servicing the machine.

Three of the 26 non-interstate full-line vending stands had a significant percentage of their machines on full service. In one case 45 (87%) of the 52 machines were on full service. When a large percentage of a stand's machines are placed on full service, it is questionable whether the BEP meets its goal to provide employment to blind individuals. Instead, full service machines simply provide vendors with additional income.

Vendors Unable to Operate Their Stands

SCCB has not enforced its policy concerning vendors who have become physically unable to operate their stands. We found two cases where vendors have been ill for a substantial time period but the agency has taken no action on their stands.

Vendor Debt

We found that the SCCB has not adhered to its policy regarding the repayment of debt owed by BEP vendors to SCCB. In addition, SCCB does not participate in the state's Debt Setoff Program which is managed by the Department of Revenue.

ALTERNATIVE FUNDING OPTIONS

Set-asides

South Carolina is the only state in its region and 1 of only 12 in the nation, that does not have a set-aside for the BEP. A set-aside would take a part of the vendor income after all expenses are paid and use it for the program. A set-aside of 11% would be needed in order to replace state funds currently spent on the BEP.

Contracting Out Interstate Stands

South Carolina has 33 interstate vending stands. If these stands were contracted out to private companies, the BEP could use the funds for the program and reduce the amount of state funds needed. Of the eight states in South Carolina's region, six have interstate vending stands operated by private companies.

Repairs and Maintenance

State law requires that the SCCB pay for repair and maintenance costs. In FY 2001 the BEP expended \$89,080 for repairs and maintenance, not including the three repair technician positions. The Georgia BEP has implemented a fee schedule for repairs where the first three calls are free and vendors are charged for any additional calls.

VENDOR SELECTION

We reviewed the selection process for vacant vending facilities and found that the SCCB has been inconsistent in following its process. The agency selection committee reviews applicants and makes its determination based on five criteria — demonstrated knowledge of business practices (30%), work habits (20%), work attitudes (20%), physical ability (15%), and seniority (15%).

Seniority

SCCB has not properly determined vendor seniority when evaluating applicants for promotion. For one selection, if the calculation had been done properly, a different applicant would have been awarded the stand.

Training

Selection committee members receive no formal training in how to apply the selection criteria for selecting vendors.

Scoring

A private consultant hired in 2001 found that the SCCB had not completed scoring sheets for all qualified applicants. In our review of 30 competitive selections, we found 11 selections where not all applicants were scored. SCCB has now begun scoring all applicants.

REVENUES AND EXPENDITURES

One of our objectives was to identify the sources and uses of funds for the BEP. In addition, we reviewed the use of funds from private vending facilities located at the Savannah River Site.

In FY 00-01 the BEP had total state and federal expenditures of approximately \$974,000. With the addition of earmarked and other vending income the program budget totaled approximately \$1,050,000. The majority of these funds are used for program personnel, repair and maintenance of equipment, and case services (primarily new equipment purchases).

In addition to federal and state funding, the program receives funds from BEP donations, other vending stand income, and unassigned stand income from the Savannah River Site (SRS).

Personnel expenditures accounted for 60% of the program's state and federal resources. The BEP is staffed with 15 positions — the director, BEP auditor, seven counselors, three repair technicians, two administrative support staff, and one trainer. Another major expenditure is the expense in establishing new vending stands. Between FY 98-99 and FY 00-01, six new BEP vending facility locations were established at a cost of \$243,191.

The BEP provides funding for all repairs and maintenance to stand equipment and other general repairs.

SRS FUNDS

We reviewed the disbursement of funds obtained from private vending facilities located at the Savannah River Site complex. These facilities are operated by private contractors who are in *indirect* competition with blind vendors. Under the Randolph-Sheppard Act, these contractors must pay a portion of their proceeds to the BEP. The funds were disbursed based on a court decision and a majority vote by the blind vendors that 50% of the funds would go to the vendors and 50% to the SCCB.

In May 2001, vendors received payments of 50% of the proceeds from the SRS for federal FY 94-95 through FY 99-00. The maximum payment to a vendor who was in the program all years was \$3,916.12. In 2002, vendors will receive \$571.65 for federal FY 00-01 SRS earnings. They can expect to receive approximately this amount for each future year.



This document summarizes our full report, *A Review of Agency Restructuring and the Business Enterprise Program at the South Carolina Commission for the Blind*. A response from SCCB and SCVRD is included in the full report. This report is available on audio tape; a Braille copy is also available for loan. All LAC audits are free of charge. Audit reports and information about the LAC are also published on the Internet at www.state.sc.us/sclac. If you have questions, contact George L. Schroeder, Director.