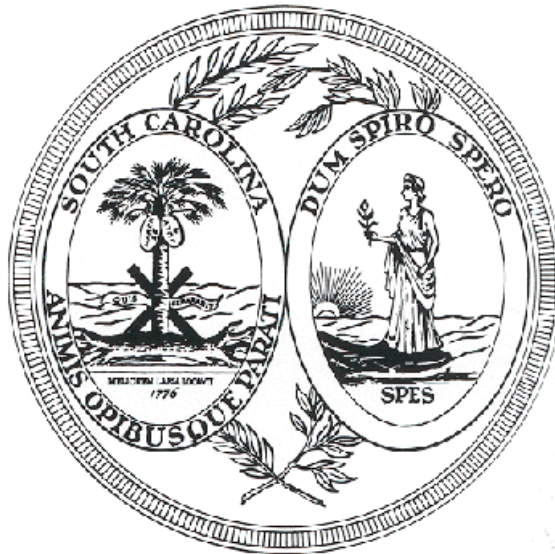


LAC

Report to the General Assembly

July 2002

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



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Synopsis

Members of the General Assembly requested that the Legislative Audit Council conduct an audit of the South Carolina Commission for the Blind (SCCB). We examined the issue of restructuring and we reviewed the management of the commission's Business Enterprise Program (BEP). There are between 10,000 to 12,000 blind and visually impaired individuals in the state, of whom the commission served 4,480 in FY 00-01. There are approximately 110 blind vendors served through the Business Enterprise Program which gives blind vendors first priority in operating vending facilities in public buildings. Our findings are summarized below.

- ❑ We found that there are several options for restructuring all or part of the commission's operations with the South Carolina Vocational Rehabilitation Department (SCVRD). This could lead to increased efficiency and lower cost without adversely affecting the quality of services provided to the blind and visually impaired.
- ❑ The Business Enterprise Program is not effective in meeting its goals. Blind individuals in the program are not achieving self-sufficiency. Funds used to support the program would be better spent on other vocational rehabilitation services within the Commission for the Blind.
- ❑ The BEP has not been effective in employing vendor assistants who are blind or visually impaired. The BEP manual states that it is the policy of the commission to employ as many blind individuals as possible in the program. However, only 6 (8%) of the 72 helpers are blind or visually impaired.
- ❑ Certain vending facilities may not provide sufficient income to vendors to offset the cost to the BEP. In FY 00-01, 15 (14%) of the 110 stands had vendor income that was less than the \$8,800 the BEP spends on average to service each stand.
- ❑ We contacted 29 interstate concession stands during their prescribed work hours. Fourteen (48%) of the stands were unattended during the required working hours.
- ❑ By placing machines on full service, a vendor receives income without having to service the machine. We found three stands where the blind vendor had contracted a significant percentage of the vending machines to a private company to service. This is known as full service. In one case, 45 (87%) of 52 machines had been placed on full service.

- ❑ The commission has not enforced its policy concerning vendors who have become physically unable to operate their stands. We found two cases where vendors have been in ill health for a substantial period of time, but the agency has taken no action concerning their stands.
- ❑ We found that the commission has not adhered to its policy regarding the repayment of debt owed by BEP vendors. In addition, the commission does not participate in the state's Debt Setoff Program that is managed by the Department of Revenue.
- ❑ In FY 00-01, the BEP had total state and federal expenditures of approximately \$974,000. We found several ways in which the commission could reduce costs for the BEP by taking advantage of other funding sources. Implementing a set-aside, contracting out interstate vending stands, and/or billing vendors for repairs and maintenance would reduce the state funds required for the program.
- ❑ We reviewed the selection process for vacant vending facilities and found that the commission has been inconsistent in following the selection process. We also found that vendor seniority has not been properly determined when reviewing applicants for promotion. In addition, selection committee members receive no formal training in how to evaluate vendors.

Introduction

Audit Objectives

Members of the General Assembly requested that the Legislative Audit Council conduct an audit of the South Carolina Commission for the Blind (SCCB). The review focused on the issues of restructuring the SCCB and on the operation of the agency's Business Enterprise Program (BEP). Our audit objectives are listed below.

- Determine the advantages and disadvantages of combining the Commission for the Blind with another state agency.
- Examine the sources and uses of funds for the Business Enterprise Program.
- Review the process used for the selection, transfer, and promotion of blind vendors.
- Review the overall management of the Business Enterprise Program.

Scope and Methodology

The period covered during this audit was primarily FY 98-99 through FY 00-01. Our sources of evidence included:

- SCCB financial records.
- Federal and state laws.
- Vendor files.

We interviewed officials with SCCB, the South Carolina Vocational Rehabilitation Department (SCVRD), and the federal Rehabilitation Services Administration (RSA). We also interviewed blind vendors in the BEP. We obtained information from other states and from private organizations.

We used limited, non-statistical samples as indicated in the audit. In cases where we relied on SCCB's computer data, we performed a limited review of management controls over the data. This audit was conducted in accordance with generally accepted government auditing standards.

Agency Background

The South Carolina Commission for the Blind was created in 1966 as a separate agency and began operations in 1967. Previously services to blind and visually impaired persons were provided through the State Department of Public Welfare's Division for the Blind. The mission of the commission is to provide quality, individualized vocational rehabilitation services, independent living services, prevention services, children's services, competitive employment, social and economic independence, and increased quality of life for blind and visually impaired South Carolinians.

The SCCB is governed by a seven-member commission appointed by the Governor. Three of the members must be legally blind. 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. The commission has policy-making responsibility for the agency. The commission is also responsible for hiring a commissioner to oversee the day-to-day operations of the agency. In June 1999, a new governing board was appointed and a new commissioner was hired in March 2000.

The commission has two departments — administration and consumer services. In addition to the administrative and district office in Columbia, the agency has ten district offices located throughout the state. Services provided through the district offices include vocational rehabilitation, independent living, prevention, low vision services, and children's services.

SCCB estimates that there are between 10,000 and 12,000 blind and visually impaired persons in South Carolina. In FY 00-01, the commission served 4,480 blind or visually impaired individuals. There were approximately 110 blind vendors served through the Business Enterprise Program at an annual cost of approximately \$1 million.

SCCB's revenues and expenditures for the past three fiscal years are shown in Table 1.1.

Table 1.1: SCCB's Revenues and Expenditures for FY 98-99 through FY 00-01

	FY 98-99	FY 99-00	FY 00-01
REVENUES			
State Funds	\$3,867,763	\$4,303,858	\$4,628,201
Earmarked Funds	356,347	252,590	295,958
Federal Funds	5,381,191	5,160,220	5,924,796
TOTAL	\$9,605,301	\$9,716,668	\$10,848,955
EXPENDITURES			
Administration	\$1,173,546	\$1,393,329	\$1,159,583
Rehabilitation	5,302,336	4,995,095	5,357,658
Prevention	1,189,603	1,117,741	1,256,061
Independent Living	11,039	8,803	20,000
Community Services	315,268	395,951	448,900
Employer Contributions	1,171,352	1,239,917	1,373,411
Non-Recurring Appropriations	0	383,029	126,196
Earmarked	154,947	311,627	699,871
TOTAL	\$9,318,091	\$9,845,492	\$10,441,680

Source: SCCB

Business Enterprise Program

The federal Randolph-Sheppard Act of 1936 was enacted to provide blind persons with paid employment, greater economic opportunities, and assistance to become more self-sufficient. The act authorized each state to issue licenses to blind persons to operate vending facilities in any federal property. The licensing agency in South Carolina is the SCCB.

S.C. Code §43-26-20 authorizes the commission to license and establish blind persons as operators of vending facilities in or on public and other property. The commission is empowered to operate concession stands in any state, county, or municipal building.

The 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. There are four types of stands operated in South Carolina. Full-line vending consists of all items vended through vending machines. There can be many machines in one building or several machines in various buildings on a vending route. Dry Stands are canteens without any on-site food preparation. Snack bars are canteens with some on-site food preparation. Cafeterias serve full meals. Table 1.2 shows the number of stands by type.

Table 1.2: Number of Vending Stands by Type in FY 00-01

TYPE OF STAND	NUMBER
Full-Line Vending	59
Snack Bar	29
Dry Stands	19
Cafeteria	3
TOTAL	110

Source: SCCB

BEP vendors had an average yearly net income of \$24,988 in FY 00-01. Table 1.3 shows the number of stands by net income range.

Table 1.3: Stands by Income FY 00-01

NET INCOME RANGE	NUMBER OF STANDS	PERCENT OF TOTAL STANDS
Less than \$10,000	24	22%
10,001 to 20,000	32	29%
20,001 to 30,000	22	20%
30,001 to 40,000	9	8%
40,001 to 50,000	9	8%
50,001 to 60,000	7	6%
60,001 to 70,000	4	4%
70,001 to 80,000	0	0%
80,001 to 90,000	1	1%
90,001 to 100,000	2	2%
TOTAL	110	100%

Source: SCCB

Agency Restructuring

Restructuring Issues

One of our audit objectives was to review the advantages and disadvantages of restructuring the South Carolina Commission for the Blind (SCCB). For this review, we examined the South Carolina Vocational Rehabilitation Department (SCVRD) as the most appropriate agency to consider for combination. SCVRD provides similar services to those offered by the commission, including vocational rehabilitation and disability determination. Proponents of a separate agency for the blind have stated that blindness is a unique disability, and a separate agency is needed to ensure high quality services for the blind and visually impaired. We found that 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.

Employment Among the Blind

Proponents of a separate state agency for the blind cite the low employment rate among the blind and visually impaired as one reason for a separate state agency. While the blind do have a low employment rate, it is not the lowest among all disabilities. According to the National Health Interview Survey conducted by the U.S. Department of Health and Human Services, men with paraplegia, hemiplegia, or quadriplegia (types of paralysis) had a 50% lower employment rate and men with mental retardation had a 30% lower employment rate than men with blindness in both eyes.

In 1994-95, 74% of the sighted working-age (18-69) public was employed. In contrast, according to the American Foundation for the Blind (AFB), approximately 32% of the working-age adults who were legally blind were employed. However, as stated by the AFB, "...the sighted public as a group is both younger and in better health than people who are legally blind, and these two factors have major effects on rates of employment." This effect is illustrated within the legally blind population. In 1995, almost one-half of legally blind individuals in the 22-50 year-old range were employed. By contrast, less than 25% aged 50-59 and 10% older than 60 were employed, which may be due to education or economic disincentives to work. Of those under 55 years old, 60% of those who reported excellent health were employed compared with 5% for those in poor health.

Quality of Service

We found that having a combined agency does not necessarily result in worse outcomes for blind clients.

There is concern that in a combined agency, the blind and visually impaired would get lower priority for services due to the complexity of their cases and the amount of services needed. We found that having a combined agency does not necessarily result in worse outcomes for blind clients.

A study conducted by the Mississippi State University's Rehabilitation Research and Training Center on Blindness and Low Vision examined the relationship of agency structure to rehabilitation services for consumers who are blind or visually impaired. The study found that separate agencies serve more legally blind clients, provide a higher number of services, and have a higher average cost than general agencies. Of those clients who received services, separate agencies rehabilitated 80% while general agencies rehabilitated 78%. However, this study defined 13 agencies as separate even though they were combined with another state agency (see p. 7).

We reviewed the federal Rehabilitation Services Administration (RSA) rankings for general vocational rehabilitation agencies and blind agencies on the state standards in federal FY 98-99 and found that SCCB was higher in some areas but lower in others. For example SCCB ranked:

- 1st in service to minorities.
- 20th out of 25 states in the ratio of wages earned by its clients versus the general population.
- 5th in the percent of clients who were competitively employed, but two of the best four states (Delaware, Washington, South Dakota, and New Mexico) for this measure, including the top ranked state, were within a combined agency.

We surveyed the 25 states identified by the RSA as having services for the blind and visually impaired combined with another state agency. Of the nine states that responded, all noted that they have specialized counselors who provide services to blind and visually impaired clients. These counselors receive special training in order to address issues unique to these clients. SCVRD has vocational counselors who specialize in other disabilities such as deafness. Officials stated that, if they were to provide services to blind and visually impaired clients, they would use specialized counselors.

Both the Vocational Rehabilitation Department and the Commission for the Blind have similar requirements for their counselors and could provide comparable service. The agencies have personnel development policies that emphasize their preference for hiring counselors with a master's degree in rehabilitation counseling. As of July 2001, 129 (64%) of SCVRD's 201 counselors had this degree. As of March 2002, 4 (36%) of SCCB's 11

counselors had this degree. Both agencies provide training for their counselors to meet the Commission on Rehabilitation Counselor certification requirements. SCVRD plans to meet the certification requirements by 2004 while SCCB has a goal of 2005. By having counselors with a degree in rehabilitation counseling, clients can receive services more appropriate to their needs.

Other Services for the Blind

In addition to vocational rehabilitation services, the Commission for the Blind provides other services for the blind and visually impaired. These services include blindness prevention programs, services to children and the older blind population, and a radio reader program. We found no evidence that restructuring the SCCB would prevent these services from being offered.

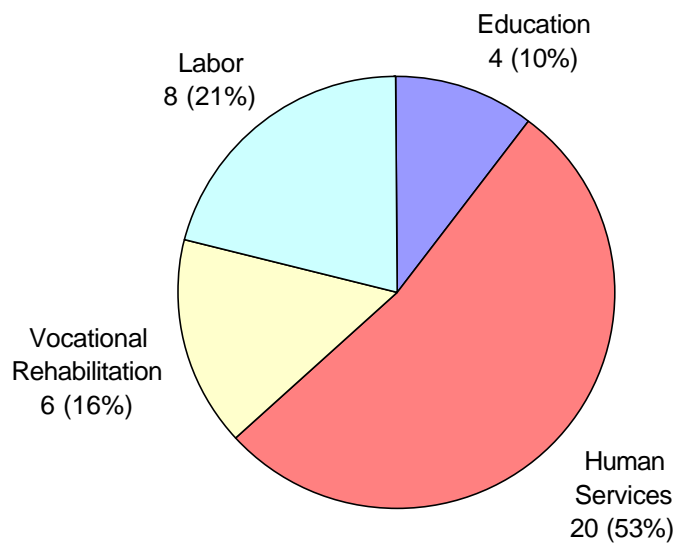
In FY 99-00, SCCB provided these services to 2,852 individuals who represented 71% of the clients served. Many of these services in South Carolina are funded through state dollars. Those funds could remain earmarked in the budget and the programs could continue. All eight states with combined agencies that responded to our survey indicated that they provide services other than vocational rehabilitation to blind and visually impaired clients. For example, Montana provides independent living services and an older blind program funded through Title VII of the Rehabilitation Act. Furthermore, SCVRD has a demonstration house for independent living, so it offers some services in addition to job-related training.

Other States

There are currently 12 states, including South Carolina, with stand-alone agencies for the blind and visually impaired. Another 13 states are considered separate by the Rehabilitation Services Administration because they have a separate state plan and separate funding for the blind and visually impaired. However, blind services in these 13 states are provided through a combined state agency. For example, North Carolina provides services to blind and visually impaired persons through the Division of Services for the Blind, which is part of the Department of Health and Human Services. Of the remaining 25 states that are combined, most have a separate division for providing services to those with unique disabilities like blindness or deafness.

We found that services to the blind and visually impaired were provided by different agencies. The following chart illustrates which agency provides services in the 38 states without a stand-alone agency.

Chart 2.1: Type of Agency Providing Services in Other States



Source: Other states' websites.

Funding

Federal funding for rehabilitation services for the blind and visually impaired could be maintained at current levels if the agency were restructured. SCCB currently receives 13% of S.C.'s federal vocational rehabilitation funds. According to SCVRD officials, the funds have traditionally been divided that way in South Carolina. Twenty-four states currently receive a percentage of federal funding for blind services ranging from 12% to 20%. Twelve of those states provide services to blind and visually impaired clients through a combined agency. The percentage of federal funds allocated for services for the blind and visually impaired could be designated to ensure appropriate funding.

Potential Cost Savings

SCVRD has 7 [employees] in human resources serving approximately 1,200 employees and SCCB has 4 [employees] serving approximately 150 employees.

By restructuring SCCB, certain economies of scale could be realized. For example, many of the services currently provided by SCVRD, such as job counseling and assistive technology, are also applicable to blind and visually impaired clients. Administrative combination could especially reduce duplication.

- SCCB currently has leases for ten district offices with a combined rent of \$140,000. Five offices are between one and three miles from the nearest SCVRD office, three are less than one mile, and one is in the same building. Sharing office space with SCVRD could save money. The SCCB has reduced some office space costs by eliminating one office and reducing space in another; it also does not pay rent for one 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 employees.
- Both agencies have a large vocational rehabilitation component whose purpose is to place clients in competitive employment. In FY 00-01 over half of SCCB's budget was spent on vocational rehabilitation.
- SCCB has a one-person disability determination unit. None of the other states responding to our survey reported having a separate disability determination unit within their blind agency. SCVRD has a large disability determination unit and routinely does this for clients referred from other agencies. Both SCCB and SCVRD's disability determination units are entirely federally funded.

In the FY 02-03 appropriations bill, the House of Representatives included a proviso requiring SCCB to contract with the Vocational Rehabilitation Department to perform certain administrative duties. SCVRD would provide SCCB with services such as procurement and information technology. The appropriations bill estimated a cost savings of \$168,000.

SCVRD also has systems in place to ensure potential funding sources are utilized. For example, the Social Security Administration will reimburse agencies for the cost of rehabilitation if the client no longer receives Supplemental Security Income or Social Security Disability Income. SCVRD usually collects about \$1 million annually from this source. As stated in the federal FY 1999 Rehabilitation Services Administration review of the SCCB, "A review of Social Security reimbursements found that SCCB received \$131,035 in reimbursements in early October 1997 and did not submit any claims for reimbursement in [federal] fiscal year 1998 or [federal] FY 1999."

The Commission was subsequently given permission by the Social Security Administration to collect funds for these years.

Conclusion

The General Assembly can consider several options when deciding whether to restructure the South Carolina Commission for the Blind. All the options listed below would still allow blind services to be provided under a separate state plan and separate funding. If only one agency provides VR services, federal law allows a state to assign responsibility for blind services to a unit of that agency.

- All agency functions could be combined with SCVRD. The blind clients could continue to be served by a separate division providing quality services suited to their unique disability. A person representing the blind and visually impaired community could be appointed to SCVRD's board.
- The administrative, vocational rehabilitation, and disability determination functions could be combined with SCVRD, leaving the other services in a separate agency. This could streamline some duplicative services with resulting cost savings.
- Only the administrative functions could be combined, leaving the SCCB separate for direct services. This option was proposed in the FY 02-03 appropriations bill as passed by the South Carolina House of Representatives.

Recommendation

1. The General Assembly should consider restructuring the Commission for the Blind with the South Carolina Vocational Rehabilitation Department. This could be achieved in varying degrees:
 - Create a division for the blind within the South Carolina Vocational Rehabilitation Department with all services to blind and visually impaired clients.
 - Combine the administrative, vocational rehabilitation, and disability determination functions of the agencies, leaving the other services separate.
 - Combine only the administrative functions, leaving client services separate.

Management of the Business Enterprise Program

Program Effectiveness

We reviewed the management of the Business Enterprise Program (BEP). We concluded that the program is not effective in meeting its goals. Vendors in the program are not achieving self-sufficiency. Funds used to support the program would be better spent on other vocational rehabilitation services within the SCCB.

As set forth in state law, the purpose of the BEP is to provide blind individuals with employment, enlarge economic opportunities for the blind, and assist blind persons to become self-supporting. This is to be accomplished by giving blind individuals priority in the operation of vending facilities on public property. While states are not required to participate in the Randolph-Sheppard program, 49 states have established a BEP.

Program Costs

The commission served 4,480 blind individuals in FY 00-01. With 110 vendors, the BEP makes up 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 SCCB spends an average of approximately \$8,800 per year to service each stand. The BEP has 7 counselors to serve 110 clients while SCCB's vocational rehabilitation program has 11 counselors to serve 1,432 clients.

The SCCB gets no funds under the Randolph-Sheppard act to support the BEP. Instead, the SCCB uses federal funds from the Rehabilitation Act of 1973. The BEP uses 18% of SCCB's total vocational rehabilitation funds and serves 8% of the total VR population. The costs of the BEP have increased while the number of stands has decreased.

Self-Sufficiency

The BEP is not effective in helping blind individuals achieve self-sufficiency. In April 2002, we requested summary information from the Social Security Administration (SSA) for the 109 BEP vendors currently in the program to determine if the BEP had been effective in making vendors more self-sufficient. According to an official with the SSA, 89 (82%) of the vendors in the BEP are still receiving Social Security Disability Income (SSDI) or Supplemental Security Income (SSI) payments. Of the 89 vendors receiving payments, 94% are receiving SSDI. The average SSDI benefit for these vendors was \$959 per month, with amounts ranging from \$171 to \$2,185.

Based on the way in which income is calculated for blind individuals, it is unlikely that they would earn too much income to affect their SSDI payments. In 2002, the Social Security Administration allowed blind individuals who were receiving SSDI to earn outside income up to a level of \$1,300 per month. The Social Security Administration also allowed disabled individuals, including the blind, to deduct certain types of expenses when calculating their income. For example, disabled individuals may deduct helper animal expenses and transportation to and from work.

Based on the way in which income is calculated for blind individuals, it is unlikely that they would earn too much income to affect their SSDI payments.

In addition, self-employed disabled persons receiving SSDI may deduct “unincurred business expenses.” These are expenses that a disabled person does not pay but is allowed to deduct from his income in order to obtain an accurate measure of the value of his work. For example, even though the SCCB pays for the equipment and initial inventory, a blind vendor is allowed to deduct the cost of these items before his income is determined. Blind vendors can also deduct the estimated value of rent, the value of discounts received from suppliers, and the cost of management services provided by the SCCB. At the vendor’s request, the SCCB will provide vendors with a list of their unincurred business expenses. In March 2002, one vendor received a letter showing the following unincurred business expenses as shown in Table 3.1.

Table 3.1: Examples of Unincurred Business Expenses

EXPENSES*	AMOUNT
Cost of Equipment	\$38,485
Merchandise Inventory	\$2,234
SCCB Administrative Services	\$6,421
Supplier Discount	\$5,081
Supplier Discount	\$1,548
Supplier Discount	\$258

* IRS rules for business expenses are followed when determining how these expenses are to be deducted.

Source: SCCB

We also examined whether vendors were receiving health coverage paid by the government. We found that 81 (74%) of the vendors are using Medicare or Medicaid for their health coverage. Of the 76 vendors that were on Medicare, 17 have their Medicare Part B premium of \$54 per month paid by the state.

The BEP could be considered supported employment for blind individuals who are unable to work entirely on their own. However, some individuals in the program appear capable of being completely independent. We found three vendors who either worked or are currently working other jobs in addition to their vending stands. Also, a number of vendors have limited vision that may allow them to perform other types of employment. One vendor rides a moped through fields to and from his vending stand. In FY 00-01 the SCCB's Vocational Rehabilitation Department placed other blind individuals in such various jobs as school teacher, cashier, computer operator, and insurance clerk.

Based on our review, it appears unlikely that participation in the BEP would result in increased self-sufficiency for the blind. In fact, because of the various deductions allowed, being in the BEP may reduce the likelihood of a blind person's social security benefits being affected.

Vending Routes

The type of employment offered by the BEP may not be ideally suited to blind individuals. The most common type of stand in the BEP is full-line vending. Full-line vending includes some stands with vending machines that are spread out over several locations on vending routes. Some of these vending routes cover several miles. For example, one vending route consists of five different locations for a total route length of 39 miles. In cases such as this, vendors hire drivers or use relatives to transport them and their goods from location to location.

Vendor Assistants

The BEP has not been effective in employing assistants who are blind or visually impaired. Many vendors use assistants or helpers when performing their work. There are 72 paid helpers. The BEP manual states that it is the policy of the SCCB to employ as many blind individuals as possible in the program. However, only 6 (8%) of the helpers are blind or visually impaired. We also found five stands where the vendor's assistant earned more than the vendor. All five of these assistants are sighted.

In Tennessee, blind vendors are allowed to reduce their set-aside payment if they hire blind assistants. In Virginia, vendors are encouraged, but not required, to hire disabled assistants. If a blind assistant cannot be found, the SCVRD could be a source for assistants for the BEP.

Low-Income Stands

Certain stands also may not provide sufficient income to vendors to offset the cost to the BEP. In FY 00-01, 15 (14%) of the 110 stands had vendor earnings of less than the \$8,800 average the BEP spends to service each stand. Over one-half of the vending stands generate less than \$20,000 in income. According to the 2000 Randolph-Sheppard Vending Facility Program Report, South Carolina has the lowest average vendor earnings for any state in our region.

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 work hour policy for interstate vending facilities requires that all blind licensed vendors work a minimum of four to six hours per day, seven days a week, or a minimum of 37½ hours per week. According to BEP policy, a vendor is supposed to inform his or her counselor if he or she is not able to report to work. BEP policy also outlines steps to be taken if a vendor is not at his or her stand. In addition, reporting to work on time and attendance records are items considered when evaluating applicants for other stands. However, BEP counselors do not routinely keep attendance logs to verify vendor absences. Without adequate documentation of a vendor's attendance record, an applicant cannot be fairly evaluated.

Vending Stands With Full-Service Machines

Full-service machines are machines that a 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 having to service the machine.

We reviewed the 26 non-interstate full-line vending stands and found 3 that had a significant percentage of their machines on full service (see Table 3.2.)

Table 3.2: Stands With Full-Service Machines

STAND	TOTAL MACHINES	MACHINES ON FULL SERVICE	PERCENTAGE ON FULL SERVICE
A	52	45	87%
B	20	9	45%
C	59	16	27%

Source: SCCB

The SCCB has no policy concerning full-service machines. The licensed vendor can decide if the machines are placed on full service. In Alabama, a vendor must justify in writing placing his operation on full service, and the state agency must approve it. When a large percentage of a stand's machines are placed on full service, it is questionable whether the BEP's goal to provide employment to blind individuals is being met. Instead, full-service machines simply provide vendors with additional income.

Vendors Who Are Unable to Operate Their Stands

SCCB has not enforced its policy concerning vendors who have become physically unable to operate their stands. Section 18-10:C. of the BEP manual states that if a blind vendor is unable to operate a facility for a substantial period of time due to sickness or injury, the agency selection committee shall make a determination as to whether the vendor should be terminated from the program. We found two cases where vendors have been ill for a substantial period of time, but the agency has taken no action concerning their stands. When vendors are allowed to remain in stands that they are unable to operate, other vendors are denied the opportunity to apply for those stands.

Other states have similar policies regarding a vendor's ability to operate a stand. In Kentucky, a vendor may be granted a leave of absence for up to one year for several reasons, including illness. This leave must be approved by the agency director. However, if after a year the vendor is unable to return to work, the vendor must resign from the stand. In Georgia, Tennessee, and Virginia, a vendor's license may be terminated if an extended illness results in the vendor being unable to operate his stand.

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.

The SCCB provides all equipment, initial stock, and cash necessary for the establishment of a vending facility. When a vendor leaves a stand, he or she is responsible for the amount of the initial stock that was placed in the stand. After the vendor leaves, the SCCB takes an inventory of the stand and, if there is a shortage, sends the vendor a letter informing him or her of the amount. According to Section 18-5:B. of the BEP manual:

After merchandise inventory is taken and if any money is due...it must be repaid within a one year period. Failure to pay during this time frame will result in the vendor being removed from the vending facility.

We found six cases where vendors were given longer than one year to repay their debts.

We found six cases where vendors were given longer than one year to repay their debts. In one case, a vendor had an accumulated inventory debt of \$3,942 as of November 1996. The vendor repaid \$380 between April and December 1997, and then stopped making payments. In November 1998, he agreed to start paying \$100 per month but made no payments. This vendor's debt was not paid off until April 2001 when the SCCB deducted the amount owed from unassigned vending machine income due him from the Savannah River Site (see p. 28). This vendor has since been promoted to another stand.

In March 2001, the SCCB instituted a policy stating that any debt owed the SCCB can be deducted from unassigned vending machine income. After the implementation of its debt collection policy, SCCB collected approximately \$52,000 from 33 vendors who had outstanding debt. There are currently six vendors with a total outstanding debt of approximately \$23,000.

The BEP also has debt owed by vendors who are no longer in the program. The SCCB does not participate in the Debt Setoff collection program that allows state agencies to collect debt by withholding a debtor's tax refund. We found seven vendors who have left the BEP and still have outstanding debt.

Conclusion

Spending \$1 million to serve approximately 110 blind individuals is not a cost-effective use of agency resources. If the BEP did not exist, the SCCB could use the state and federal funds currently spent on the BEP to better fund its general vocational rehabilitation program. This could result in a larger number of blind and visually impaired individuals being served.

Recommendations

2. The General Assembly should amend §43-26-20 of the South Carolina Code of Laws to eliminate the requirement that South Carolina have a Business Enterprise Program.

If the General Assembly chooses to continue the program:

3. The Commission for the Blind should examine its vending routes to ensure that they are suitable for a blind vendor to operate.
4. The Commission for the Blind should encourage the use of disabled assistants by developing greater incentives to hire blind assistants and by working with the South Carolina Vocational Rehabilitation Department to identify clients who could make suitable assistants.
5. The Commission for the Blind should eliminate stands that do not generate sufficient income to cover the costs of servicing the stands.
6. The Commission for the Blind should ensure that blind vendors work the required hours at their stands. The commission should maintain documentation showing vendor absences and enforce policies regarding probation and termination of vendors.
7. The Commission for the Blind should review its policy concerning full-service machines to require agency approval prior to placing a machine on full service and evaluate the need for those stands with a high percentage of full-service machines.
8. The Commission for the Blind should enforce its policy concerning vendors who are unable to operate their stands.

9. The Commission for the Blind should establish and enforce a comprehensive policy for the collection of vendor debt. At a minimum, this policy should include:
- Requirements that vendors pay off outstanding debt within a reasonable time period.
 - Participation in the Debt Setoff Program at the Department of Revenue.
 - Termination of individuals who fail to make an effort to pay off their debt.

Alternative Funding Options

We found several ways in which the SCCB could reduce costs for the BEP by taking advantage of other funding sources. Implementing a set-aside, contracting out interstate vending stands, and/or billing vendors for repairs and maintenance would reduce the amount of state funds required for the program. Five of the eight states in S.C.'s region do not use state funds in their BEP annual operating budgets.

Set-Asides

Institution of a set-aside for program management, equipment, repairs, and maintenance would reduce the state funds required for the program, making it more self-supporting. 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 portion of the vendor income after all expenses are paid and use it for the general program. Set-asides in South Carolina's region range from 5% to 50%. In some states a sliding scale is used where vendors who earn more money pay a higher percentage. For example, vendors in North Carolina who earn more than 2.5 times the average vendor salary pay 50% while others pay 17%. In FY 00-01, South Carolina state expenditures totaled \$304,415 for the BEP. With vendor income of \$2,773,718 in FY 00-01, a set-aside of 11% would have been needed to replace all state funds.

Contracting Out Interstate Vending Stands

Another possible way to generate cost savings and revenue would be contracting out interstate vending stands to private companies. South Carolina has 33 interstate vending stands. Of the eight states in S.C.'s region, six have interstate vending stands not operated by blind vendors. Kentucky and Tennessee report interstate vending stands as a program revenue source. Kentucky contracts out the vending stands and receives 15% to 30% of the stand's profits for use in the program. In FY 00-01, Kentucky had \$866,000 in interstate vending income and Tennessee had \$600,000. Kentucky's program operates without state or federal funds, and Tennessee operates without state funds. If these stands were contracted out, the BEP could use the funds for the program and reduce the amount of state funds needed. The interstate stands had gross sales of \$2,791,117 in FY 00-01.

Repair and Maintenance Costs

The Randolph-Sheppard Act does not require that the SCCB provide for repair and maintenance costs; however, this is required by state law. In FY 00-01 the BEP expended \$89,080 for repairs and maintenance, not including three repair technician positions. The program provides this service to all vendors regardless of their use of equipment or income level. For example, if a vendor is netting \$50,000 a year from his stand and a coffee machine breaks, the commission purchases a new one or pays to have the old one repaired.

The Georgia BEP has implemented a fee scale for repairs where the first three calls are paid by the BEP, the 4th and 5th are \$25, the 6th – 10th are \$50, and over 10 are \$100 each. Both the programs in Florida and Tennessee pay for maintenance and repairs with set-asides. This is another possible area where the SCCB could realize savings.

Recommendation

10. If the General Assembly chooses to continue the Business Enterprise Program, it should amend S.C. Code §43-26-30 to require alternative sources of funding to replace the use of federal and state funds, including:
 - Establishing a set-aside for the Business Enterprise Program to replace current state funds used for the program.
 - Contracting out interstate vending locations and using the profits to fund the Business Enterprise Program.
 - Allowing the Commission for the Blind to charge vendors for maintenance services.

Vendor Selection Process

One of our audit objectives was to review the process used for the selection, transfer, and promotion of blind vendors. We found that the SCCB has been inconsistent in following the selection process.

When new vending facilities are built or an existing facility becomes vacant, all blind licensed vendors are notified and provided an opportunity to submit a bid on the facility. Bids must be received before the bid closing date. Once the process is closed, a list of applicants is prepared. The applicants are reviewed by an agency selection committee comprised of five members — four SCCB employees (three of whom work in the BEP program) and a vendor representative.

The selection committee interviews the applicants and makes its determination based on five general criteria. The criteria are:

- Demonstrated knowledge of business practices (30%).
- Work habits (20%).
- Work attitudes (20%).
- Physical ability (15%).
- Seniority (15%).

Once the committee members have scored each applicant using the five criteria, the committee votes to determine which vendor is to be awarded the stand.

We reviewed 52 selections that took place between FY 98-99 and FY 00-01. In 22 (42%) of the selections there were either no applicants or only one applicant. When there is no qualified applicant for a vacant facility, the SCCB and the BEP supervisor have the authority to locate a qualified blind person and place him in the stand.

Evaluation of Applicants

Selection decisions can have an important effect on the livelihood of a blind vendor. Thus, it is important when evaluating applicants that the process be fair, as objective as possible, and consistently applied. We found several areas where the SCCB needs to improve the selection process.

Inconsistent Selection Process

During our review, we found that the SCCB did not evaluate applicants consistently. In a selection held in August of 1999, there were four applicants — two were licensed vendors and two were trainees. Trainees are individuals who have completed the training program but have not yet been awarded a stand. At first, only the two licensed vendors were scored. The stand was then offered to one of them, but the vendor withdrew. The committee had serious concerns about the remaining vendor's performance. Instead of offering the stand to the licensed vendor, the committee met again and, without scoring any of the applicants, the committee decided to award the stand to a trainee.

In another selection held in October 2000, there were four applicants — a licensed vendor and three trainees. In this case, the selection committee stated that since three of the applicants were trainees, there were no criteria on which to score them and the stand was awarded to the licensed vendor. This was the same vendor who had been denied a stand in August of 1999 when a trainee was selected over her.

The SCCB required additional information for a selection held in June of 2000 that it had not required for previous selections. In June of 2000, the SCCB held a selection for a vending operation at a military base. This stand is different from other stands in that it involves running eleven mess halls serving approximately 40,000 meals per day.

Because of the unique nature of this operation, the BEP vendors' committee requested that additional information be required of applicants for the stand. Applicants were required to submit a detailed resume and current credit report. In addition, information on a vendor's training hours, management experience, and food service experience was collected. One of the vendors who helped develop the requirements for the additional information also applied for the stand, and was awarded the stand by the selection committee. The awarding of this stand is currently being appealed to the federal Rehabilitation Services Administration.

In a selection held in October of 1998, the bid notice stated that "...because of the 'on-call' requirement, the Blind Licensed Vendor must live in the immediate vicinity of the (stand)." The winning bidder did not move and now commutes approximately 70 miles one way.

Applicants have not always been interviewed prior to a selection decision. In one selection we could find no documentation that applicants were interviewed prior to the selection being made.

Applicants have not always been scored correctly. An applicant can receive up to two points for attendance at the vendors' annual meeting. We found two cases where vendors were awarded two points even though they were absent from the last annual meeting.

Applicants Not Always Scored

A private consultant hired in 2001 found that the SCCB had not completed scoring sheets for all qualified applicants. In our review of the 30 competitive selections, we found 11 selections where not all applicants were scored. For example, in a selection held in April 2000, there were 13 applicants; however, the committee only scored two applicants. SCCB has now begun scoring all applicants.

We also found seven instances where the BEP counselor had not provided the correct seniority in his letter of recommendation.

Vendor Seniority

SCCB has not properly determined vendor seniority when evaluating applications for promotion. Seniority calculations can be complicated and take into account the amount of time a vendor has spent operating a stand and also give half-credit for time spent as an assistant under the supervision of another blind vendor. In one case, if the calculation had been done properly, a different applicant would have been awarded the stand.

We also found seven instances where the BEP counselor had not provided the correct seniority in his letter of recommendation. For example, one vendor had applied for a new stand four different times between November of 1995 and October of 2001. Each time, his seniority was reported incorrectly. In three of the four recommendation letters the vendor was given credit for too much seniority and in the other letter, too little.

Letters of Recommendation

The BEP counselors have not been consistent in their letters of recommendation. Not all letters contain a specific recommendation as to whether or not the counselor considers the applicant qualified. In addition, some counselors contact the district vendor representative concerning applicants while other counselors do not. Also, the information contained in the counselors' letter varies. Some counselors' letters contain specific information about sales and profit percentages, while others do not.

Training for Selection Committee Members

Selection committee members receive no formal training in how to apply the selection criteria. We surveyed individuals who had been involved in selections and found that 4 (24%) of 17 reported they had not received adequate training in how to evaluate applicants.

Some members are inconsistent in how they score certain items. For example, one selection member stated he would take off the full two points if a vendor did not attend the annual meeting, another indicated he would take off only one point.

BEP Manual

The BEP manual also has not been updated to reflect changes in policy. According to the BEP manual, vendors are to submit monthly reports by the 5th working day of the month. However, according to an agency official, this policy now requires that reports be submitted by the 20th of the month. As of March 2002, vendors are still being told they must submit their reports by the 5th working day of the month. Applicants for new stands can receive up to five points for the timely submission of their monthly reports. Thus, it is important that the policy be correctly applied.

Other States

We reviewed the selection process in other states. In Alabama and Tennessee, vendors undergo annual performance reviews which are used as a basis to evaluate applicants for promotion. South Carolina does not have annual performance reviews of vendors. In North Carolina, vendors are evaluated using five criteria. The most heavily weighted criteria is financial performance. Seniority only counts for 5%. Individuals are not allowed to apply for a stand if they have more than three substantiated complaints within the last three years. North Carolina also has specific guidelines relating to the evaluation of trainees. In Tennessee, the top six applicants based on seniority are interviewed by a committee, which includes an independent business person.

Recommendations

11. The Commission for the Blind should ensure that vendor seniority is calculated correctly. Seniority should be clearly documented and verified for all vendors.
12. The Commission for the Blind should reduce the percentage awarded for seniority and place a greater emphasis on financial performance.
13. The Commission for the Blind should record which vendors attend its annual meeting and give credit only when a vendor has attended the meeting.
14. The Commission for the Blind should develop an orientation procedure for members of the agency selection committee to ensure that each member understands how to apply the selection criteria to applicants.
15. The Commission for the Blind should ensure that counselors' letters of recommendation contain as much specific information as possible and includes the same information for all applicants.
16. The Commission for the Blind should add an independent businessman to the selection committee for vendors.
17. The Commission for the Blind should establish an annual performance review of vendors.

Administrative Issues

We reviewed administrative issues that involved both the Commission for the Blind and the Business Enterprise Program. These included BEP revenues and expenditures, certain BEP purchases, the BEP inventory system, Freedom of Information Act requests, and individualized employment plans for blind clients. We found that some improvements could be made to the purchasing and inventory system to ensure that items are documented accurately and completely. We also found that SCCB is not timely in determining eligibility of clients or developing employment plans for those clients.

BEP Revenues and Expenditures

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

State and Federal Funds

In FY 00-01, the Business Enterprise Program had 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) see Table 4.1. In FY 00-01, the program employed 110 vendors and 72 assistants and operated 110 stands in South Carolina.

Table 4.1: Expenditures by Category

	STATE FUNDS EXPENDED	FEDERAL FUNDS EXPENDED	TOTAL	PERCENT
FY 98-99				
Personnel	\$127,379	\$267,805	\$395,184	42%
Fringe benefits	33,119	69,629	102,748	11%
Case Services*	29,687	249,285	278,972	30%
Other Operating**	85,391	69,256	154,647	17%
TOTAL	\$275,576	\$655,975	\$931,551	100%
FY 99-00				
Personnel	\$175,386	\$247,118	\$422,504	48%
Fringe benefits	45,600	64,251	109,851	12%
Case Services*	10,512	161,633	172,145	20%
Other Operating**	73,509	105,709	179,218	20%
TOTAL	\$305,007	\$578,711	\$883,718	100%
FY 00-01				
Personnel	\$100,336	\$363,671	\$464,007	48%
Fringe benefits	26,087	94,555	120,642	12%
Case Services*	137,670	65,296	202,966	21%
Other Operating**	40,322	146,196	186,518	19%
TOTAL	\$304,415	\$669,718	\$974,133	100%

*Primarily new equipment purchases.

**Includes repair and maintenance costs.

Source: SCCB

Other Funds

In addition to federal and state funding, the BEP receives funds from:

- *BEP donations* — funds donated to the SCCB.
- *Other vending stand income* — funds from vacant stands that the commission has not filled and has hired an attendant to work for an hourly rate.
- *Savannah River Site (SRS) income* — funds obtained from private contractors who work in indirect competition with blind vendors on the Savannah River Site complex (see p. 28).

Table 4.2: Other BEP Funds for FY 00-01

SOURCE OF OTHER FUNDS	AMOUNT
BEP donations	\$2,379.85
Other vending stand income	17,286.90
SRS funds	57,737.50
TOTAL	\$77,404.25

Source: SCCB

In FY 00-01, the SCCB did not spend other vending stand income and carried it over to the next fiscal year. A commission official stated that these funds were not used for expenses as they are a new source and traditionally payments are made from different accounts. In the future the agency will use this account for program expenditures.

Personnel

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.

Case Services

Federal law requires that the state licensing agency provide each vending facility with equipment and initial stock. In FY 00-01, the BEP spent \$187,107 on new equipment and supplies for all stands.

Another major expenditure is the cost to establish 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. Three of these locations were vending routes and one has subsequently been closed. A major portion of the expense of a new stand is the cost of vending equipment.

Other Operating

Although the Randolph-Sheppard Act does not require that the commission pay for repairs and maintenance, S.C. Code §43-26-30(d) requires that the commission "...shall be responsible for the maintenance and repair of such equipment to the operator without cost...@ The BEP provides funding for all repairs and maintenance to stand equipment and other general repairs (see p. 19).

Federal law requires that the state licensing agency provide each vending facility with equipment and initial stock.

Although the BEP employs three maintenance technicians, it also contracts out equipment repairs on many occasions. In a limited voucher review we found that repairs had been contracted out for such items as repairing a gutter, ice machines, air conditioners, refrigeration machines, and plumbing leaks.

The BEP also currently has contracts with the Department of Transportation (DOT) to pay for new and renovated stands at 14 interstate rest stops. SCCB has agreed to pay a maximum of \$35,000 to renovate and \$50,000 to replace vending sheds at these locations for a total maximum cost of \$655,000.

Savannah River Site Funds

We reviewed the disbursement of funds received from vending facilities located at the Savannah River Site (SRS) complex. 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 for all years was \$3,916.12. A total of 78 vendors received the maximum payment. Upon receipt of these funds, each vendor signed an agreement stating that the funds will be used for retirement, sick, and vacation time. In 2002, vendors will receive \$571.65 for federal FY 00-01 in SRS earnings. They can expect to receive approximately this amount for each future year.

Prior to the lawsuit, vendors in the BEP program voted that they would each receive one payment of \$1,500 for vacation and retirement pay in 1993. After the conclusion of the SRS lawsuit in November 2000, these vendors received \$1,500 for vacation and retirement in addition to the other SRS funds. All payments to vendors were net of any debt owed to SCCB (see p. 16).

SCCB's Use of SRS Funds

Most of the funds allotted the agency through the settlement are being held to fulfill the contract agreement between SCDOT and SCCB for the renovation and replacement of interstate vending locations. Future funds will be used to fund a repair technician with a truck and travel, a cost estimated to be \$45,000 annually. Any additional funds will be used for equipment repair, maintenance, and new equipment.

Voucher Review

We reviewed 46 vouchers that totaled \$66,156 for the BEP for FY 00-01. Generally, we found that all purchases were for the function of the BEP or individual vendors. There was one voucher for construction at a stand location in the amount of \$16,981. This purchase required the commission to seek a bid solicitation through the state Materials Management Office (MMO). The commission could not provide documentation for this solicitation.

According to staff at MMO, if documentation could not be provided on a procurement they would conclude that it was unauthorized and there was a need to improve the internal controls at the commission. If the solicitation was not documented, then the commission would have no way of knowing the voucher should be paid.

Recommendation

18. The Commission for the Blind should improve its controls over the procurement process to ensure that all purchases are authorized and properly documented.

BEP Inventory System

We examined the BEP inventory system to determine if the inventory system was adequate and appropriate controls were in place. In 2001, the State Law Enforcement Division (SLED) investigated allegations of fraud relating to the SCCB inventory system. After reviewing SLED's findings, the solicitor advised that "the allegations were of a non-criminal matter and that no prosecution was warranted."

Inventory Tests

We confirmed the 140 items that were listed for 32 interstate stands as of February 2002. In addition, we identified 13 other items that were in place but not listed on the reports. Nine stand location reports listed security gates with values ranging from \$1,654 to \$2,925. Security gates were installed at ten other stands, but they were not listed on the inventory locations reports. We also found two snack machines that were not listed. According to agency officials, the inventory listing has since been updated to include these two items. In addition, there is no separate location report for assets that are permanently assigned to the warehouse. At the time of our review, dates of acquisition and useful lives had not been added to the inventory location reports.

Concession Stand Buildings

None of the SCCB signs at the interstate indicated a method of assistance for customers when vendors are not present, such as complaint forms, phone numbers, or addresses. None of the 32 inventory location reports have been adjusted for the additional expenses of reconstruction or improvements. The cost of nine stands rebuilt within the past three years ranged from \$31,319 to \$51,811. The maximum cost listed on any of the 32 location reports for buildings was \$15,750.

Recommendations

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19. The Commission for the Blind should take steps to improve the accuracy of its inventory system by:
 - Including all assets valued at \$1,000 or more that are assigned to each facility.
 - Adding an inventory location report for fixed assets that belong to the warehouse.
 - Reporting the current value of the interstate concession buildings.
 - Adding dates of acquisition and estimated useful life for each asset.

 20. The Commission for the Blind should post plainly on all concession facilities “South Carolina Commission for the Blind” signs which include a method for filing complaints when vendors are not present.

Individualized Plan for Employment

We reviewed the timeliness of the application process for vocational rehabilitation services at the Commission for the Blind. The commission does not determine the eligibility of all applicants within the time limits imposed by federal regulations. Also, the SCCB does not have a written policy addressing the timely development of Individualized Plans for Employment (IPE) for eligible clients nor is it meeting its goal of IPE development within 90 days.

Federal regulations require that a client receive an eligibility determination within 60 days from the date of application. We found that SCCB is not meeting this requirement in all cases. The commission had 462 applicants to the vocational rehabilitation program in 2001. A February 2002 report showed that 48 cases had no eligibility determination; 40 (83%) of these cases had an application pending for more than 100 days.

Federal regulations also require that a state plan assure that an IPE be developed and implemented in a timely manner. Although there are no specific time limits, the SCVRD has a policy to develop an IPE within 90 days of eligibility determination. In a survey of other states, we found that time lines for IPE development range from 30 days to 6 months. There are also requirements that an explanation be placed in the client's file if no plan is developed. SCCB has no written policy that requires a plan within a certain time line; however, according to agency officials, its goal is to develop an IPE within 90 days. In a February 2002 report, we found that 50 applicants from 2001 had an eligibility determination but the report showed no further activity; 33 (66%) of these cases had been in eligibility status for more than 100 days without the development of an IPE.

We conducted a limited review of the cases in the Columbia office of the Commission for the Blind. In 5 of the 11 cases reviewed, there had been further status changes that were not reflected on the February 2002 report. We also found three cases in which there was no evident follow-up or information in the file following the application.

Recommendations

21. The Commission for the Blind should ensure that it completes an eligibility determination for all applicants for vocational rehabilitation services within the 60 days required by federal regulations.
22. The Commission for the Blind should develop and implement a written policy that requires the development of an Individualized Plan for Employment within a reasonable amount of time for all clients determined eligible.
23. The Commission for the Blind should monitor its success in meeting these goals and report them as performance measures in its annual accountability report.

Freedom of Information Act Requests

We examined SCCB's Freedom of Information Act (FOIA) files to determine whether the commission complies with FOIA. We found no material problems. The SCCB grants requests for board meeting minutes at no charge, but charges \$3 for an audio tape copy. The first five pages of a response to a written request are free and additional pages are 15¢ each. Fees must be received before the information is prepared.

The files were examined for compliance with the following:

- Agency response within 15 business days.
- Information provided.
- Basis for denial.
- Fees collected.

There were 55 requests from January 1999 through February 2002. The requests ranged from inquiries about board members and personnel to applicant and selection records. The SCCB provided the information when appropriate, and bases for denials were reasonable. No information was released before the fees were paid. The maximum fee charged was \$60, and eight requesters did not respond after being notified of expenses ranging between \$3.45 and \$17.70. Six requests were not acknowledged within the 15-day limit, but none have been late since May 2000 when the current legal counsel became responsible for FOIA requests.

Agency Comments

**Appendix
Agency Comments**



South Carolina Commission for the Blind

P.O. BOX 79 • COLUMBIA, SOUTH CAROLINA 29202-0079 • PHONE 898-8822 • FAX 898-8845

July 12, 2002

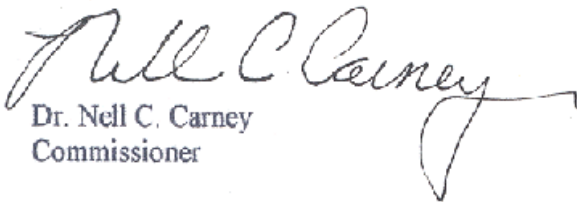
Mr. George L. Schroeder, Director
Legislative Audit Council
1331 Elmwood Avenue, Suite #315
Columbia, SC 29201

Dear Mr. Schroeder:

Enclosed, please find our response to the final draft report, A Review of Agency Restructuring and The Business Enterprise Program at the South Carolina Commission for the Blind. As you will see from our response, we have grave concerns about the manner in which the review was conducted and reported. We believe the report is biased and unfair, and we continue to respectfully request that you reconsider its' publication.

Please contact me if you have questions about our response. It is important for us to know if changes are made in the publication date.

Sincerely,



Dr. Nell C. Carney
Commissioner

RESPONSE TO LAC REPORT

From

SOUTH CAROLINA COMMISSION FOR THE BLIND

AUDIT ORIGINATION, SYNOPSIS AND INTRODUCTION

When SCCB was contacted by LAC staff in August, 2001, we were informed that House members had requested a review of the Business Enterprises Program (BEP.) When the scope of work was received, it included examination of the issue of restructuring the agency. The decision to examine the advantages and disadvantages of restructuring the agency was made without any public hearing, input from the governing board, input from the administration, input from the public and the consumer organizations. The approach and methodology strongly suggest that the review began with the assumption that SCCB had to be restructured and research was conducted in an attempt to verify the assumption. We believe that the first objective which was to examine the advantages and disadvantages of restructuring SCCB was not achieved because the review does not demonstrate any in-depth look at the real disadvantages of restructuring the agency.

In the field of rehabilitation, it is widely accepted that a stand-alone agency for the blind with a governing board that is accessible to consumers is the preferred and ideal form of agency for programs for the blind and visually impaired. It is also widely accepted that a separate, stand alone agency allows the agency resources to be focused solely on programs for the blind with a subsequent result of adequate services and permanent outcomes of social and economic independence and improved quality of life for blind consumers.

The report does not take into account the positive impact of a dedicated governing board that was appointed in June 1999 and an executive director appointed in March 2000. There is no mention of the increases in referrals, competitive employment placements, satisfied consumers and improvements in effectiveness and accountability. The improvements made in the BEP receive no attention in the report. Instead, the reviewers conducted out-of-state research and attempted to interpret the results of the research to support an original assumption.

LAC staff obviously coordinated the review with staff of SCVRD throughout the ten month period. The fairness of this coordination must be questioned because SCVRD has a vested interest in merging the two agencies—the funding. It was shocking to learn that SCVRD had been provided a copy of the preliminary draft report and had been invited to respond. We feel strongly that the report should not have been shared with another agency before we had the opportunity to respond to it. In summary, it appears that two members of the House of Representatives, SCVRD and LAC made the decision that SCCB should be restructured and taxpayer dollars were spent in an attempt to support the decision.

CHAPTER 2 AGENCY RESTRUCTURING

Restructuring Issues

In the review of the audit objective of the advantages and disadvantages of restructuring the South Carolina Commission for the Blind (SCCB), it is stated “the South Carolina Vocational Rehabilitation Department (SCVRD) is the most appropriate because they provide similar services to those offered by the Commission, including vocational rehabilitation and disability determination.” SCCB has several programs unique to its agency that SCVRD does not offer.

These programs include:

- Business Enterprise Program (BEP) which provides job training, stand development, consulting services, job placement and stand maintenance to carry out the mandates of the Randolph-Sheppard Act;
- Prevention of Blindness which has a goal to prevent, stabilize or restore the loss of vision by providing appropriate medical services to detect eye diseases in their early stages;
- Independent Living for Older Blind with a goal to increase independence and quality of life in the home and community by providing adjustment to blindness skills training;
- Children Services which provides counseling and guidance to blind and visually impaired children, birth to age 14, and their families; establishes a plan of service and coordinate provision of services;
- Rehabilitation Center where unique blindness skills are taught that will enhance blind and visually impaired adults' ability to become more independent and employable; curriculum includes Orientation and Mobility, Communication Skills, GED Preparation, Remedial Education, Home Management, Braille Literacy, Wood Shop and Physical Education;
- Telecommunication Center which focuses on training consumers for the growing customer service industry; consumers receive training on general customer service skills as well as company specific skills;
- Adaptive Technology Unit which focuses on training consumers on basic through advanced adaptive technology skills that are needed to be competitively employed.

There is a critical interaction between all programs of the Commission for the Blind in order to achieve its mission.

Employment Among the Blind

In addressing Employment Among the Blind, it is stated that the "sighted public as a group is both younger and in better health than people who are legally blind and these two factors have major effects on rates of employment." This statement stereotypes the legally blind population: and, if it can be substantiated, it is a good and reasonable argument to provide separate services for the blind since these factors do have a negative impact on employment.

Quality of Service

SCCB's progress concerning the educational background for SCCB's vocational rehabilitation counselors is consistent with section 101 (a)(7) of the Rehabilitation Act Amendments of 1992, requiring State Vocational Rehabilitation agencies to establish qualified personnel standards for rehabilitation personnel that conforms with national or state-approved certification, licensing, or registration that apply to rehabilitation. The Comprehensive System of Personnel Development (CSPD) established by RSA did not set timelines for retraining all current counselors. RSA asked all state agencies to set an assertive, yet reasonable plan contingent upon their particular circumstances. The plan for each agency was reviewed and agreed on by RSA. SCCB's plan took into account the current status of counselors, the number of counselors with appropriate degrees, the number of staff needing to be retrained and the budget available. SCCB also has a goal for the counselors who were employed as of 1999 to meet the educational requirements by 2004. The CSPD standard was effective in 1999 and revised in 2000. RSA also identified and/or recognized challenges would be present in efforts to retrain all staff and that an investment of scarce training funds must be targeted toward the most effective use. Thus, agencies were given latitude to prioritize which employees received training first. States are encouraged to focus on training counselors who are likely to be with the agency for many years and may choose to place counselors nearing retirement at the end of the priority list for retraining. SCCB currently has 11 counselors and 3 of them meet educational requirements for CSPD; 2 have a Master degree and would require supervision by a Certified Rehabilitation Counselor; 2 have Master degree and need additional coursework; 1 with a Master degree but is in the TERI program; 2 are currently pursuing a Master degree and 1 with a Bachelor degree but is in the TERI program.

Other Services for the Blind

The area of Other Services for the Blind indicates the "SCVRD has a demonstration house for independent living, so it offers some services in addition to job-related training". The SCVRD demonstration house is designed specifically for individuals who are wheel chair users, and the techniques for teaching that disability group differ greatly from techniques used for the blind. The demonstration house will not work for teaching individuals who are blind because independence skills teaching in the natural environment-the home and community-is essential to learning travel skills, self-help skills and home management skills. SCCB has established programs, which address the consumers' independence in living in the home and community.

Other States

In the comparison of stand-alone agencies versus combined agencies serving the blind population, the report states "North Carolina provides services to blind and visually impaired persons through the Division of Services for the Blind, which is a part of the Department of Health and Human Services". The report fails to mention that the North Carolina Division of Vocational Rehabilitation Services is also a part of the North Carolina Department of Health and Human Services and holds equal status with the Division of Services to the Blind.

Funding

The percentage of funding SCCB receives of the state's federal vocational rehabilitation funds is 13%, however the report does not mention that the national average percentage, according to RSA, is 15% and has been for quite some time.

Potential Cost Savings

The potential cost savings of restructuring SCCB addresses the comparison of the number of employees in the agency's Human Resources and Disability Determination departments. The comparison of the Human Resources Department should take into account the organizational structure of each agency. SCCB's Human Resources department includes a Director, who also as other agency administrative responsibilities; an Administrative Assistant with primary responsibilities of payroll, data entry of leave records, personnel files, record archives and departmental administrative duties; Human Resources Specialist with benefits, EPMS, HRIS and Leave reporting responsibilities; Human Resources Manager I with recruitment, EEO and EPMS responsibilities. These 4 positions compare to the 7 at SCVRD. SCCB employees include 155.5 FTE as well as grant and temporary positions. The Disability Determination Unit is 100% funded by the Social Security Administration. Therefore, whether the position is located at SCCB or SCVRD there would be no cost savings to the state.

An additional potential cost savings area addressed is Social Security reimbursement. The report states "SCCB received \$131,035 in 1997". SCCB actually received \$189,662.88 in 1997. In 2000, SCCB was granted authorization by the Social Security Administration to file claims for federal fiscal years 1998 and 1999. The total amount of reimbursement received for these years is \$95,674.01. The reimbursement amount was the total eligible amount for reimbursement without any penalties. Staff members have been trained and a system is also in place at SCCB to utilize this potential funding source. The comparison of the amount of money collected correlates to the size of the agencies and therefore it is understandable that SCVRD should collect more money than SCCB since it is substantially larger. No money was lost by SCCB because the Social Security Administration granted permission to collect on the years that had been ignored. There would be no cost savings in the reimbursement efforts if SCCB were combined with SCVRD.

Conclusion

In the conclusion for restructuring issues, the report states "all the options listed below would still allow blind services to be provided under a separate state plan and separate funding". However, in order to have a separate state plan for blind services, there must be an administrator of the program for the blind who has direct control of the financial operations of the agency. (The Rehabilitation Act of 1973, as amended through 1998, Title I, Section 101, (2)(A). This is an erroneous conclusion.

Recommendations

The governing board and administration of the SCCB emphatically disagree with the recommendation that SCCB be consolidated with SCVRD. We find the three options for restructuring unacceptable because we believe they would dilute programs, place other programs in jeopardy and abolish some programs. We believe the LAC has failed to offer any clear or convincing evidence that cost savings would be achieved by such restructuring.

CHAPTER 3, MANAGEMENT OF THE BUSINESS ENTERPRISES PROGRAM

Program Effectiveness

We do not agree that the BEP has not been effective in meeting the program objectives and creating opportunities for blind individuals to be more independent financially and socially. The allowance of SSDI benefits to blind individuals who are working is not exclusive to South Carolina. It has no impact on the management of effectiveness of the BEP.

Program Cost

SC BEP costs are very low when compared to other States in the region. The most recent RSA report for Federal FY 00 shows the average Federal and State cost for the eight (8) states in Region IV to be \$1,445,288. SC costs were \$ 789,178. That is \$656,110 (or 45%) below the average costs for Region IV. The average federal and state costs to service each stand in Region IV were \$13,290.00 for FY 00.

Vending Routes

We disagree with this finding. Vending routes are accepted throughout the United States as viable BEP facilities. Blind vendors use drivers to work vending routes.

Vendor Assistants

The vendor assistants are hired by the licensed vendors, and SCCB has nothing to do with this selection process. The vendors pay the salaries of the assistants. Most assistants serve as drivers, cooks or servers. In Tennessee, the state cited as an example by the LAC report as providing incentives to hire visually impaired assistants, the total number of visually impaired assistants reported for FY 00 was actually 0.

Low-income Stands

SC maintains some low income stands in order to help provide training for new blind vendors. The training they receive while operating a small stand helps them prepare for operating a larger location, and affords an entry-level opportunity for work and self-worth. This also provides a good basis to evaluate performance when the vendor then bids on larger stands.

Attendance at Interstate Vending Stands

The Agency has notified each blind vendor of the work hour policy and BEP counselors are strictly enforcing this policy.

Vending Stands with Full-Service Machines

Three vending facilities were cited with a significant percentage of vending machines on Full Service. In two of the three locations cited, the vast majority of income came from machines worked entirely by the blind vendors. We will evaluate all three stands to determine if there is a valid reason for full-service machines. In the future all blind vendors will be required to justify in writing placing a machine on full service and the Agency must give written approval.

Vendors who are unable to work their stands:

Section 18-10.C of the BEP manual provides that the selection committee will evaluate the status of individuals who are too ill to operate their locations and make decisions about removing such individuals from the site. In the July 2002 meeting of the governing board of SCCB the policy on timelines and severity of disability will be discussed with active participation by the vendors' committee. The governing board will make a final decision about the timelines.

Vendor Debt

It was brought to the attention of the administration in 2001 that a number of the BEP operators owed money to the agency. Immediately, a procedure was put into place to collect the debts. The debt-off-set program will also be reviewed for possible use.

Conclusion

The governing board and the administration strongly disagree with this conclusion. The BEP has met the objective of providing employment and independence opportunities to blind individuals. A price tag cannot be placed on the human dignity that is realized through work activity. In the past three and one half decades, the BEP has provided hundreds of deserving blind individuals with employment opportunities that have brought dignity, family and community involvement and revenue into the community in the form of taxes paid by the BEP operators.

RECOMMENDATION 1

The Governing board and administration emphatically disagree with the recommendation that Code 43-26-20 be amended removing the requirement that South Carolina have a Business Enterprises Program. With the acknowledgement that there are management, policy and procedures issues that must be addressed, why would the General Assembly abolish an entire program without giving the agency the option of correcting the problems? Would the General Assembly treat the blind citizens of South Carolina differently than blind individuals in forty-eight other states where they are given the option of employment in a business enterprises program? Many of the issues raised in the report have already been addressed, and now that other issues have been identified by LAC, immediate action will be taken to address each of them.

Alternative Funding Options

It is acknowledged that alternative funding sources for the BEP must be explored. This is the responsibility of the governing board and administration with meaningful participation by the BEP operators.

In March 1999 the House Ways and Means Committee agreed not to charge blind vendors set-asides if the blind vendors would give half of the SRS unassigned vending machine income to the Agency to be used for BEP Program expenditures. SC Blind Vendors ratified this agreement on March 11, 1999.

Contracting Out Interstate Vending Stands

The governing board and administration strongly opposes contracting out the highway vending sites. Thirty-three vendors would be out of employment and vendors in other locations who aspire to advance to better paying locations would have no place to go.

Vendor Selection Process

It is acknowledged that the composition of the selection committee and the criteria for vendor selection need to be reviewed and probably revised. Because the regulations for the BEP have not been up-dated in a number of years, a task force composed of members of the governing board, members of the vendors committee and representatives of the administration is being organized to review and re-write the regulations. Once this process is complete, the regulations will be presented to the SC General Assembly for approval.

CHAPTER 4 ADMINISTRATION

Individualized Plan for Employment

The report states “the commission does not determine the eligibility of all applicants within the time limits imposed by the Federal regulations”. Client cases are audited by RSA auditors annually. SCCB’s performance has been acceptable.

The report states “also, the SCCB does not have a written policy addressing the timely development of Individualized Plans for Employment... nor is it meeting its goal of IPE development in 90 days”. This statement is contradictory. There is written policy: and for a high percentage of the cases, SCCB is meeting the standard.

The report states “Federal regulations require that a client receive a determination of eligibility within 60 days of date of application. We found that SCCB is not meeting this requirement in all cases.” Some applicants cannot be evaluated within a specified period of time because of the severity of disability. Example: when a client is blind and deaf and has a speech problem, it is impossible to complete the evaluation within the time frame. RSA audits have not found SCCB in violation of this standard.

The report compares statistics of a limited review (11 cases out of over 400) with statistics from very large agencies serving disability populations other than blindness. The comparisons create a distorted picture of the services provided by the commission. **Please be reminded that RSA audits SCCB every year and the agency has not received a citation for violation of regulations.** Remember, there are standards of percentages for compliance.

Recommendations

SCCB does make an effort to assure that all eligibility determinations are made in a timely manner and within the limits set by the regulations.

SCCB has developed and implemented policy allowing only 30 days between date of eligibility determination and completion of plan development.



*Enabling eligible South Carolinians with disabilities to
prepare for, achieve, and maintain competitive employment.*

Larry C. Bryant, Commissioner

July 15, 2002

Mr. George L. Schroeder
Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for the opportunity to respond to the final draft report of *A Review of Agency Restructuring and the Business Enterprise Program at the South Carolina Commission for the Blind*.

I have reviewed the document with members of my staff and respectfully submit our reflections on the report's conclusions.

The Vocational Rehabilitation Department will make every effort to carry out the wishes of the Legislature in serving South Carolinians, with more than 130 disability types, as efficiently and effectively as possible.

Please call me at 896-6504 if you have any questions.

Sincerely,

Larry C. Bryant
Commissioner

cc: Derle A. Lowder Sr., Chairman

South Carolina Vocational Rehabilitation Department

Response to the final draft report: *A Review of Agency Restructuring and the Business Enterprise Program at the South Carolina Commission for the Blind.*

The South Carolina Vocational Rehabilitation Department (SCVRD) appreciates the opportunity to comment on the portion of the Legislative Audit Council report that deals with restructuring of the Commission for the Blind (SCCB).

Our agency will certainly carry out any legislative decision on this matter as effectively as possible. However, we are concerned about the short-term and long-term impact of restructuring on efficient service provision to clients of both agencies. Also of concern are the designation of a person representing the blind community on the SCVRD agency board and the start-up costs associated with combining the two agencies.

One of the report's conclusions is that: *"a person representing the blind and visually impaired community could be appointed to SCVRD's board."*

Designating a seat on SCVRD's board to represent a specific disability would be detrimental to the overall balance, focus and mission of an agency that has been recognized nationally for its achievement on behalf of a wide spectrum of people with disabilities. SCVRD is not a disability-specific agency; it served over 44,000 people in fiscal year 2001 with more than 130 types of disabilities, and all clients shared a goal of competitive employment.

Further, the federal regulations governing the State Vocational Rehabilitation Services Program mandate that the State agency must have an independent commission that is "consumer-controlled by persons who are individuals with physical or mental impairments that substantially limit major life activities; *and represent individuals with a broad range of disabilities....*" (Emphasis added) A mandated representation on the SCVRD board by persons advocating a specific disability group would not only appear to favor one type of disability over another, but it would also appear to be in violation of the federal regulations. It would open the door to other disability groups, such as people who are deaf or have traumatic brain injury, epilepsy, etc., demanding representation on the board. This would be especially inappropriate if Vocational Rehabilitation is designated to carry out only certain administrative functions of SCCB.

The Vocational Rehabilitation Department has a very clear and concise mission: to enable eligible South Carolinians with disabilities to prepare for, achieve and maintain competitive employment. SCVRD leads all VR agencies nationally in the numbers of persons served and rehabilitated per capita, and rehabilitates those individuals at a cost that is about half the national average cost. Last fiscal year SCVRD placed more than 9,000 South Carolina citizens with disabilities into competitive employment.

The SCCB does not concentrate only on employment. In addition to its vocational rehabilitation component, SCCB has a number of other specialized, state-supported services that go beyond employment issues into prevention, services for children and the elderly, radio reader programming, and business enterprise program. It placed 156 clients into competitive employment last fiscal year.

Having a board that represents individuals with a broad range of disabilities, rather than any specific disability, speaks to the core philosophy and mission of SCVRD and has enabled this agency to achieve great success in rehabilitating the myriad of clients that it serves.

The report also implies that possible cost savings can be achieved through restructuring. We agree in principle that limited long term cost savings could be realized through certain elements of consolidation; however, there exists the burden of significant startup costs to achieve these desired future economies of scale. These costs would include the acquisition and installation of computer data networks, hardware and software, and conversion of all our offices to accommodate the needs of blind clients and staff, which includes retrofitting office machinery and equipment as well as the administrative time required to accomplish this task.

The report also suggests there may be some savings in co-location of office space, but space may not be available in all areas. There are approximately 50 SCCB employees working in 10 district offices. In many of these areas, SCVRD would be required to make costly facility additions, renovations and accommodations. If only SCCB vocational rehabilitation counselors (11 employees) moved into SCVRD offices, as was indicated in the report, the question would remain about office location for remaining SCCB field staff working in programs not related to vocational rehabilitation. Thus any savings from consolidation would be more than offset by startup costs in the initial stages, and in these times of dwindling budget dollars effective and efficient consolidation would be difficult to achieve.

Conclusion

The department clearly understands its responsibility to carry out a program that is molded to best suit the interests of our state's citizens with disabilities and the population as a whole. However, the strength of our agencies is in the focus on their specific missions. SCCB provides a very wide scope of specialized services and its mission overlaps SCVRD's only in the area of employment services, which is our first and only mission. The blind community might best be served by a decision to maintain a separate agency.

The LAC report states that the Vocational Rehabilitation Department (SCVRD) is the most appropriate agency to consider for combination with SCCB. However, the report also shows that among the 38 states without a stand-alone agency for blind services, more than 80 percent (32 of 38 states) were combined with an agency other than a vocational rehabilitation agency. Prior to becoming independent, SCCB was part of the Department of Social Services.

If SCCB functions are to be restructured with SCVRD, we view the following options to be most in keeping with the agencies' missions:

- ! Moving the SCCB's vocational rehabilitation services and disability determination component into SCVRD operations. The federal and state funding for VR services would go to SCVRD for these clients, and the SCVRD governing board would be accountable. Meanwhile, all other services for the blind, and the accompanying funding for those services, would remain under the Commission for the Blind. The SCCB governing board would direct and be accountable for these services.
- ! Moving the above programs and certain administrative functions of SCCB into SCVRD operations. The administrative functions might include computer support, procurement and accounting services. This could be accomplished either by moving some administrative FTEs from the Commission to SCVRD, or through development of a system for SCVRD to charge SCCB for these services.
- ! The least preferred option is to create a division for the blind within SCVRD providing all services to blind and visually impaired clients. If this occurs, the only way for SCVRD to be sufficiently accountable for all resources is to have the authority, through one governing board, to make the final decisions about all services and administrative issues of the entire SCVRD. We would propose the formation of an advisory council to make recommendations to the SCVRD board about matters pertaining to the programs for the blind.

Thank you for the opportunity to respond to this report. The Vocational Rehabilitation Department will do its very best to carry out the ultimate decision by the legislature and to do so at the high standard deserved by the citizens of South Carolina.