



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
641-0230-11

Business Enterprise Program

*Bureau of Services for Blind Persons
Department of Licensing and Regulatory
Affairs*

Released:
November 2012

The Business Enterprise Program (BEP) is designed to assist people who are blind to achieve social and economic independence by licensing blind persons to operate vending facilities in federal and State buildings as well as highway rest areas and visitor centers. The Michigan Commission for the Blind (MCB), statutorily designated as the vocational rehabilitation service agency for the blind in Michigan, was responsible for administering BEP. However, effective October 1, 2012, Executive Order No. 2012-10 abolished MCB and created the Bureau of Services for Blind Persons.

Audit Objective:

To assess the effectiveness of MCB's efforts to ensure that BEP operators' monthly vending facility reports (VFRs) are accurate and properly supported.

Audit Conclusion:

We concluded that MCB's efforts to ensure that BEP operators' monthly VFRs are accurate and properly supported were not effective. We noted one material condition ([Finding 1](#)).

Material Condition:

MCB did not effectively validate BEP operators' monthly VFRs ([Finding 1](#)). As a result, the Department of Licensing and Regulatory Affairs (LARA) could not ensure that it properly calculated and paid operator retirement contributions, the Office of Retirement Services (ORS) could not ensure that it properly calculated and paid BEP operator pension benefit payments, and MCB could not ensure that it properly assessed BEP operator set-aside fees.

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Audit Objective:

To assess the effectiveness of MCB's efforts to monitor and assist BEP operators in running profitable and well-managed vending facilities.

Audit Conclusion:

We concluded that MCB's efforts to monitor and assist BEP operators in running profitable and well-managed vending facilities were not effective. We noted two material conditions ([Findings 2 and 3](#)).

Material Conditions:

MCB did not effectively ensure that its promotional agents monitored and assisted BEP operators with their vending facilities ([Finding 2](#)). As a result, MCB could not ensure that the BEP operators maximized their service delivery and profitability and operated their vending facilities in compliance with *Michigan Administrative Code* requirements.

MCB had not effectively utilized its information technology system to

document, assess, and monitor BEP operations (Finding 3). As a result, MCB did not have accurate and relevant information sufficient for comparing actual outcomes to desired outcomes and subsequently identifying potential improvements in effectiveness and efficiency.

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Audit Objective:

To assess the effectiveness of MCB's efforts to ensure that BEP expended set-aside fees collected from BEP operators in accordance with the *Michigan Administrative Code*.

Audit Conclusion:

We concluded that MCB's efforts to ensure that BEP expended set-aside fees collected from BEP operators in accordance with the *Michigan Administrative Code* were not effective. We noted one material condition (Finding 4).

Material Condition:

MCB did not consistently expend set-aside fees collected from BEP operators in accordance with the *Michigan Administrative Code* (Finding 4). As a result, we estimated that, from October 1, 2008 through July 31, 2011, MCB improperly expended \$254,000 (27.9%) of the \$910,000 in set-aside fees collected.

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Audit Objective:

To assess the effectiveness of MCB's efforts to ensure that BEP's equipment inventory is properly accounted for and safeguarded.

Audit Conclusion:

We concluded that MCB's efforts to ensure that BEP's equipment inventory is properly accounted for and safeguarded were not effective. We noted two material conditions (Findings 5 and 6).

Material Conditions:

MCB did not properly account for all equipment items at BEP vending facilities located throughout the State (Finding 5). As a result, MCB could not ensure that State-owned equipment items were properly safeguarded, recorded, and maintained. Also, MCB's equipment inventory was overstated by \$697,000 and the State's accounting records were overstated by \$347,600.

MCB's contractor selection and contract monitoring processes were not sufficient to ensure that products and services were acquired at competitive prices and were in compliance with State purchasing policies and procedures (Finding 6). The use of sound business practices when awarding and monitoring publicly funded contracts helps to ensure that desired products and services are acquired at competitive prices and that the business community has a fair and equal opportunity to participate in publicly funded projects.

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Agency Response:

Our audit report contains 6 findings and 6 corresponding recommendations. The Bureau of Services for Blind Persons' preliminary response indicates that it agrees with 5 recommendations and partially agrees with 1 recommendation.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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