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The Business Enterprise Program Has Improved Vendor Contract Opportunities, Training, Support, and Monitoring

at a glance

Consistent with OPPAGA's recommendations, the Department of Education's Business Enterprise Program improved its services. The program closed or converted several unprofitable enterprises, consolidated training locations, increased entrance and completion standards, and enhanced support for new vendors. However, vendor attrition rates continue to be very high and the program lacks useful performance measures.

Scope

In accordance with state law, this report describes actions taken by the Department of Education's Business Enterprise Program to address the findings and recommendations in OPPAGA's 2006 report. [1, 2]

Background

The U.S. Randolph-Sheppard Act gives blind individuals priority to operate vending businesses on federal properties. The Legislature extended this priority to many state-owned properties through s. 413.051, *Florida Statutes*. [3] The Business Enterprise Program, which the Department of Education's Division of Blind Services administers, is responsible for implementing both the federal and state acts.

The program establishes enterprises and trains blind clients to become self-employed managers of cafeterias, snack bars, and vending machine routes in federal, state, and private facilities. The program's goals are to increase business opportunities for the blind and assist the blind to become economically self-supporting. To achieve these goals, the program trains clients through classroom and on-the-job instruction, licenses clients to become vendors, oversees the award of competitive contracts to operate enterprises, develops new business opportunities, and monitors vendor financial performance.

The program contracts with Daytona Beach Community College to provide six two-week training modules in food service management, business planning and start-up, record-keeping, food sanitation, and vending. In Fiscal Year 2007-08, the approximate cost of classroom training is $9,803 per person.

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[1] Section 11.51(6), *F.S.*

[2] *Business Enterprise Program Needs to Modify Enterprises and Improve Vendor Training, Support, and Monitoring,* OPPAGA Report No. 06-73, December 2006.

[3] The statute specifies that state colleges and universities, community colleges, and state correctional institutions are exempt from this priority.

After successfully completing all training modules, clients transfer to Tallahassee to receive an additional four to six months of supervised instruction in an operational setting. Upon completion, clients transfer to the facilities they applied to manage and work for an additional one to two months under program supervision. After completing all training, the program licenses clients who pass a final examination.

Licensed vendors bid to operate available enterprises. Bids are ranked based on prior performance in the program and the results of an interview with program staff and vendor representatives. Vendors may operate an enterprise for as long as they meet contract terms, which includes remitting a 6% monthly assessment to the program; the assessment is based on the vendor's net income.

There are 140 blind business enterprises in Florida, with nearly half (48.6%, or 68 businesses) located in state-owned facilities. Enterprises include 9 cafeterias; 34 snack bars; 48 highway vending routes; and 49 non-highway vending routes. The program leases space for snack bars and cafeterias and contracts to operate vending machines on and off highway routes.

Resources. Program funding is derived from an allotment of federal vocational rehabilitation funds and vendor assessments. In Fiscal Year 2007-08, total funding is $2,748,313. The program has 11 full-time equivalent employees. Additionally, federal law requires the program to establish a state committee of blind vendors to participate in making recommendations for program improvements, administrative decisions, developing a training program, and putting forth vendor grievances. The committee has 12 members.

Prior Findings

Our 2006 report found that the Business Enterprise Program faced several challenges. Specifically, new vendors were typically awarded enterprises that consistently provided low-income or unsuitable opportunities. In addition, the program had not provided vendors with sufficient training, support, and monitoring. As a result, many new vendors left the program within their first two years.

To address these concerns, we recommended that the program

- complete a systematic viability assessment of enterprises and use assessment results to close or modify low performing businesses, including merging or downsizing facilities;
- evaluate its training program and make revisions that better prepare new vendors for the most frequently available opportunities, increase training to include a focus on controlling costs, and continue to work with the vendor committee to integrate improvements in the current training curriculum, in particular, by developing a better-defined on-the-job training program;
- develop a comprehensive support system for new vendors, including individual transition plans that incorporate all aspects of starting a new business; and
- develop a system to review enterprise financial information and increase monitoring.

Current Status

The Business Enterprise Program has taken steps to address the issues highlighted in our 2006 report. Specifically, the program has assessed all enterprises and has closed or converted several low performing businesses. It also has revised its training program; developed and implemented a more comprehensive support program for vendors; and initiated a vendor financial review process. However, the program continues to struggle with client retention and lacks performance measures that could be used to determine areas for improvement.

The program has assessed enterprises and closed or converted nine low performing businesses

In 2007, the Business Enterprise Program conducted viability assessments of all enterprises, and identified low performing businesses, determined as having the attributes described below.

- **High management turnover -** managers have repeatedly left a business for a variety of reasons, including retirement, pursuit of better opportunities, or termination due to lack of performance.
- **Insufficient building population -** does not meet program population criteria: 1,100 building occupants for cafeterias, 600 for snack bars.
- **Failure to meet profit expectations -** does not generate the required amount of profit as a percentage of gross sales: 12% for cafeterias; 15% for snack bars; 25% for non-highway vending; and 40% for highway vending.

Using these criteria, the program identified nine low performing enterprises. It closed three businesses and converted six to vending routes. The program is currently monitoring seven other low performing businesses.

The program has revised its training program to better prepare clients for success

Our 2006 report noted that one-third of the vendors who were awarded a license between 2000 and 2005 left because of unsuitable opportunities and inadequate training support and monitoring. This trend has continued. In 2006 and 2007, the program licensed 13 new clients. Of those, six subsequently had their contracts terminated due to poor performance, and one client relocated to another state. Only six clients licensed during this period are currently working under contract as program vendors.

To address this ongoing concern and increase client success and retention rates, the program has significantly revised its training program. New applicants are now screened prior to program entry to ensure they possess the basic skills necessary to be successful. In addition, instruction has been standardized and consolidated to two primary training locations (Daytona Beach and Tallahassee), and the minimum passing test score has been increased from 70% to 75%. The program intends to further enhance the training program by adding a two-week module on computer applications typically used by vendors.

The program has increased vendor support and monitoring

The Business Enterprise Program, in cooperation with the Florida Committee of Blind Vendors, responded to our recommendation to develop a comprehensive support system for new vendors by providing more assistance to new clients. New clients are now supported from program entry through graduation by a Florida Committee of Blind Vendors mentor. After completing their training in Tallahassee, new clients transfer to the facility they are scheduled to manage, where three individuals assist them—a mobility instructor, a regionally based general services specialist, and a representative from Florida's Committee of Blind Vendors.

- **Mobility instructors** teach the "environment" (e.g., local transportation system, building location and layout, storeroom and kitchen layout) to program participants.
- **General services specialists** work with the client every day for their first week to assist with the orientation and acclimation process. These specialists provide assistance with respect to securing the facility business license, bookkeeping, and obtaining the liability insurance required to do business in Florida. Thereafter, the assigned specialist contacts the operator on a weekly basis for the next month to address any new issues. The specialist also reviews the monthly business report the vendor is required to submit to the program. Finally, the specialist assists the client with a monthly inventory for the first three to four months in order to assess the client's progress.
- **Vendor committee representatives** are experienced vendors who assist in the transition process by helping the new vendor clean and restock the facility and passing on lessons learned. These representatives are available by telephone at anytime thereafter to provide assistance as needed.

The program lacks outcome measures that objectively assess performance

Florida statutes require state agencies to develop outcomes and standards to measure progress toward achieving program objectives. [4] While the Business Enterprise Program has legislatively mandated performance indicators, these measures do not assess its overall success or identify areas for improvement (e.g., cost reduction, operational efficiencies).

The program has three legislatively approved performance measures to evaluate its services: (1) number of blind vending service facilities supported; (2) number of existing food service facilities renovated; and (3) number of new food service facilities constructed. As shown in Exhibit 1, the program did not meet the approved standards for two of these measures in each of the last two fiscal years.

Exhibit 1
The Program Did Not Meet Approved Performance Standards for Two Measures in Fiscal Years 2006-07 or 2007-08

Measure	Standard	2006-07 Actual	2007-08 Actual
Blind service food facilities supported	153	144	140
New food facilities constructed	5	2	1
Existing food facilities renovated	5	11	5

Source: Division of Blind Services, Long Range Program Plan.

[4] Sections 20.055(2)(a) and 216.013, *F.S.*

While these performance measures reflect employment opportunities and facility upgrades, they do not address the program's core mission, goals, and objectives. Therefore, the program lacks a mechanism to evaluate its progress toward meeting program objectives. To better inform the Legislature and improve program services, we recommend that it adopt the following measures:

- number of new clients trained (standard should be based on projected vacancies and projected attrition rates);
- percentage of trained clients who are licensed by the program (standard should be at least 90%);
- percentage of trained clients placed in enterprises (standard should be 100%);
- number of new enterprises opened (standard should be at least 2);
- percentage of licensed clients retained for more than two years (standard should be at least 75%); and
- percentage of licensed clients meeting or exceeding program profit margin expectations for the type of enterprise (standard should be at least 75%)

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Florida Monitor: www.oppaga.state.fl.us

Project supervised by Kara Collins-Gomez (850/487-4257)
Project conducted by Ed Madden (850/487-9273)
Gary R. VanLandingham, Ph.D., OPPAGA Director