REPORT OF

THE

STATE AUDITOR

Business Enterprise Program
Department of Human Services

Performance Audit
September 2007

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September 11, 2007

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of Colorado's Business Enterprise Program located within the Department of Human Services. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Human Services.

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TABLE OF CONTENTS

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STATE OF COLORADO
OFFICE OF THE STATE AUDITOR REPORT SUMMARY

SALLY SYMANSKI, CPA
State Auditor

Business Enterprise Program
Department of Human Services
Performance Audit, September 2007

Authority, Purpose, and Scope

This performance audit was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct performance audits of all departments, institutions, and agencies of state government. The audit work was conducted between May and August 2007 in accordance with generally accepted government auditing standards.

Our audit reviewed the Business Enterprise Program's effectiveness in meeting legislative intent and compliance with the federal Randolph-Sheppard Vending Stand Act, the Colorado Business Enterprise Program Act (Section 26-8.5-101 et seq., C.R.S.), and other legal requirements. We also evaluated the Program's oversight and monitoring of operator financial reporting and profitability and assessed the sufficiency of the Program's administrative and financial controls to ensure licensed operators are complying with applicable laws, rules and regulations, and Program agreements. Additionally, we reviewed the Program's compliance with recently enacted lawful presence and identification document statutes and with State Fiscal Rules. We gratefully acknowledge the assistance and cooperation extended by the Business Enterprise Program operators, staff of the Department of Human Services, and by members of the Committee of Licensed Operators.

Background

The United States Randolph-Sheppard Vending Stand Act of 1936 (20 U.S.C., Chapter 6A, Section 107) authorizes blind individuals licensed under the provisions of the Act to operate business enterprises—such as cafeterias, snack bars, convenience stores, vending machines, copy machines, and coin-operated laundry machines—on federal properties. The purposes of the federal Act include "providing blind persons with remunerative employment, enlarging the economic opportunities of the blind, and stimulating the blind to greater efforts in striving to make themselves self-supporting." In 1977, the Colorado Legislature enacted legislation to extend the requirements of the Randolph-Sheppard Vending Stand Act to most state-owned properties and included a legislative purpose identical to the purposes set forth in the federal Act. The Business Enterprise Program Act (Article 8.5 of Title 26 of the Colorado Revised Statutes) authorizes individuals licensed under the provisions of the Randolph-Sheppard Vending Stand Act to operate business enterprises on state properties, except for any property owned, leased, or occupied by any institution of higher education or the Board of Commissioners of the Colorado State Fair Authority.

For further information on this report, contact the Office of the State Auditor at 303.869.2800.

To be licensed under the federal and state Acts, an individual must be legally blind and a citizen of the United States. According to federal and state law, licenses are issued to qualified individuals for an indefinite period of time and can only be suspended or terminated if, after providing the individual an opportunity for a full evidentiary hearing, it is determined that the business enterprise is not being operated according to federal and state requirements. As of April 2007, 46 business enterprises were operating on federal and state properties in Colorado; of these, 43 were managed by 28 operators and 3 were managed by Colorado's Business Enterprise Program.

The Business Enterprise Program (the Program) is an organizational unit within the Colorado Department of Human Services' Division of Vocational Rehabilitation. Under state statutes, the Program is the designated State Licensing Agency responsible for the administration of both the federal Randolph-Sheppard Vending Stand and Colorado Business Enterprise Program Acts. The Program has 6.0 full-time equivalent employees to carry out its responsibilities. The Randolph-Sheppard Vending Stand Act also requires that licensed operators, through the Committee of Licensed Operators (the Committee), actively participate in the administration of the Program.

For Fiscal Year 2008, the Business Enterprise Program was appropriated approximately $2.6 million. The Program receives no general fund moneys and is funded from an allotment of federal funds authorized by Title I of the United States Rehabilitation Act of 1973 (Section 110), cash funds, and cash funds exempt. One of the primary sources of the Program's cash funds is operator assessments. Federal law authorizes the Program to levy an assessment against the net proceeds earned by each operator to be set aside on behalf of all operators for specific purposes. In Fiscal Year 2007, operators incurred approximately $195,000 in operator assessments.

Summary of Audit Findings

Our audit identified areas of improvement related to the Department's administration of the Business Enterprise Program. Specifically, we found:

- **The Business Enterprise Program has not monitored the business practices of operators or established sufficient controls to ensure operators report accurate and complete financial information.** We inspected nine locations managed by six licensed operators and found that operators had begun conducting business without fully executed operator's agreements with the Department, failed to maintain support for reported sales and expenses, reported questionable business expenses, failed to pay required taxes, and misreported some sales. For example, of the $686,000 in sales reviewed, we found that the operators managing four of the nine business enterprises in our sample did not have supporting documentation for almost $195,000 in sales, or 28 percent. Our findings raise questions about the accuracy of the financial information used by the Program to monitor operator performance, calculate Program assessments, and generate reports for the federal government.

- **Colorado operators, on average, earned less in Fiscal Year 2006 than in Fiscal Year 2002 and the number and percentage of Colorado operators earning less than $25,000 per year has increased significantly over the five-year period.** Specifically, the average annual net earnings of Colorado operators decreased by 9 percent and median net earnings decreased by 22 percent from Fiscal Year 2002 through 2006. Additionally, we found that the percentage of operators earning less than $25,000 per year has increased from 27 percent, or 6 out of 22 operators, in Fiscal Year 2002 to 45 percent, or 10 out of 22 operators, in Fiscal Year 2006. We also found that 7 of the 10 operators in the lowest income range reported earnings below the national poverty level for a family of four ($20,000) during Fiscal Year 2006. Business Enterprise Program staff were unaware that operator performance had declined because the Program does not conduct systematic analyses of the financial performance of operators or compare the profitability or financial viability of various locations.

- **The Business Enterprise Program has not consistently followed State Fiscal Rules, administrative rule, state law, and other requirements in administering the federal Randolph-Sheppard Vending Stand and Colorado Business Enterprise Program Acts.** Specifically, we found that the Business Enterprise Program failed to institute sufficient collection procedures or meet statutory collection referral deadlines related to delinquent operator accounts. Additionally, the Program's practice of paying for and seeking reimbursement from operators for sales taxes, liability insurance, and phone service has led to inefficiencies and management issues and does not meet the intent of the Randolph-Sheppard Act to stimulate the blind to be self-supporting. We also found that the Program failed to consistently pay its liabilities timely and, as such, violated State Fiscal Rules. Finally, with respect to the Business Enterprise Program, the Department of Human Services has not taken the necessary steps to fully implement the Colorado Secure and Verifiable Identity Document Act and House Bill 06-1343, which require that state agencies rely on secure and verifiable documents to provide services and enter into or renew contracts only with contractors that certify they do not knowingly employ or contract with illegal aliens.

Our recommendations and the responses of the Department of Human Services can be found in the Recommendation Locator and in the body of the report.

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RECOMMENDATION LOCATOR
Agency Addressed: Department of Human Services

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	22	Ensure accurate financial reporting and compliance with applicable laws, rules and regulations, and the operator's agreement by (a) ensuring operators have fully executed operator's agreements; (b) defining allowable and unallowable business expenses and capping certain business expenses; (c) identifying and following up with operators who appear to be reporting questionable or excessive expenses; (d) conducting annual on-site reviews at each business enterprise location to verify sales and expenses, payment of applicable business and employee withholdings, and compliance with the operator's agreement; (e) improving controls over vending machines sales; and (f) taking enforcement action against operators with recurring deficiencies.	Agree	June 2008
2	29	Improve the performance of Business Enterprise Program operations and achieve Program goals by (a) annually conducting a systematic analysis of the financial performance of all operators; (b) taking steps to improve operator profitability; (c) establishing a statewide target for the minimum and average annual gross and net earnings of all operators and reporting performance to the General Assembly; and (d) improving the accuracy and reliability of financial data reported by operators.	Agree	July 2008

RECOMMENDATION LOCATOR
Agency Addressed: Department of Human Services

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
3	33	Actively pursue the collection of past due operator accounts with the Business Enterprise Program by (a) developing a written policy for the handling and processing of delinquent operator accounts; (b) instituting follow-up collection procedures for past due accounts; (c) referring all debts to Central Collection Services when the debt is 30 days past due; and (d) taking enforcement action against any operator refusing to make payment.	Agree	November 2007
4	37	Revise the Business Enterprise Program's operator's agreement to clarify that operators are responsible for obtaining sales tax licenses, liability insurance, and phone service and for payment of all taxes and expenses, and include grounds for termination, including failure to maintain required licenses and insurance and failure to pay sales and other business taxes. Transfer existing sales tax licenses from the State to each operator and take enforcement action as needed.	Agree	July 2008
5	39	Improve the timeliness of vendor payments in the Business Enterprise Program, including working with appropriate vendors to submit consolidated weekly or monthly invoices.	Agree	Implemented

RECOMMENDATION LOCATOR
Agency Addressed: Department of Human Services

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
6	42	Implement the provisions of the Colorado Secure and Verifiable Identity Document Act and House Bill 06-1343 by (a) obtaining legal advice to assist in reconciling the identity documentation requirements set forth in House Bill 06S-1023 and the Colorado Secure and Verifiable Identity Document Act; (b) revising the standard operator's agreement to include all provisions required by House Bill 06-1343; (c) requiring all operators to sign the new operator's agreement and certify that they do not hire or subcontract with a company that hires illegal aliens; (d) training operators on the requirements of House Bill 06-1343; and (e) verifying that operators are complying with the requirements of House Bill 06-1343 during on-site reviews.	Agree	December 2007

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Business Enterprise Program

Background

The United States Randolph-Sheppard Vending Stand Act of 1936 (20 U.S.C., Chapter 6A, Section 107) authorizes blind individuals licensed under the provisions of the Act to operate business enterprises—such as cafeterias, snack bars, convenience stores, vending machines, copy machines, and coin-operated laundry machines—on federal properties. The purposes of the Act include "providing blind persons with remunerative employment, enlarging the economic opportunities of the blind, and stimulating the blind to greater efforts in striving to make themselves self-supporting." The Act requires that, wherever feasible, one or more business enterprises are to be established on "all federal property to the extent that any such facility or facilities would not adversely affect the interests of the United States." Federal law also stipulates that the income or commissions generated from the operation of vending machines on federal property accrue to those individuals licensed under the Act, even if the vending machines are operated by a private company and are not operated by a licensee.

Until 1977, the requirements of the Randolph-Sheppard Vending Stand Act only applied to federal properties. However, in 1977 the Colorado Legislature extended the Act's requirements, including a legislative purpose identical to the purpose set forth in the federal Act, to most state-owned properties. The Business Enterprise Program Act (Article 8.5 of Title 26 of the Colorado Revised Statutes) authorizes individuals licensed under the provisions of the Randolph-Sheppard Vending Stand Act to operate business enterprises on state properties, except for any property owned, leased, or occupied by any institution of higher education or the Board of Commissioners of the Colorado State Fair Authority. The Business Enterprise Program Act also requires state agencies, when feasible, to include a satisfactory site or sites for the location and operation of business enterprises when constructing; acquiring by ownership, rent, or lease; or altering or renovating any building. Furthermore, statutes prevent state agencies from charging business enterprises for the use of state-furnished space, maintenance or janitorial services, repairs, or other building services. Similar to federal law, the Business Enterprise Program Act and state regulations also require the commission income from vending machines operated on state property to accrue to those operators licensed under the federal and state Acts, even if a private company, rather than a licensee, operates the vending machines.

To be licensed under the federal and state Acts, an individual must be legally blind and a citizen of the United States. According to federal and state law, licenses are issued to qualified individuals for an indefinite period of time and can only be suspended or terminated if, after providing the individual an opportunity for a full evidentiary hearing, it is determined that the business enterprise is not being operated according to federal and state requirements.

Business Enterprises

In Colorado a business enterprise is an independent business opportunity or site made available through the provisions of the Randolph-Sheppard Vending Stand and Business Enterprise Program Acts. Business enterprises (cafeterias, snack bars, convenience stores, and vending machine routes) are located on federal and state properties. Business enterprises are managed by licensed operators who maintain full control over the business enterprise's operations, including purchasing replenishment inventory and supplies, hiring and paying personnel, as well as paying all related business and employment taxes, withholdings, and workers' compensation insurance. The operators of the business enterprises are not employees of the State and do not receive wages or salaries. Rather, the operators are considered independent contractors and earn the income generated by the business enterprises. If a business enterprise is unprofitable, the operator receives no compensation. Business enterprises are awarded to operators through a competitive bid process.

As of April 2007, 46 business enterprises were operating on federal and state properties in Colorado, with 43 of these enterprises managed by 28 operators and 3 enterprises managed by Colorado's Business Enterprise Program. Of these 46 business enterprises, 30, or 65 percent, were located on federal properties and 16, or 35 percent, were located on state properties. The 46 business enterprises included 16 cafeterias, 16 vending machine routes, and 14 snack bars and/or convenience stores. As the table below shows, for Fiscal Year 2007 (through April 2007), the 28 operators reported total combined sales of more than $5.3 million for the 46 business enterprises, including sales from the three Program-operated enterprises. See Appendix A for a complete list of the business enterprise locations in Colorado as of April 2007.

Colorado Department of Human Services Business Enterprise Program Revenue, Expenses, and Net Proceeds for All Business Enterprises As Reported by Operators Fiscal Years 2005 – 2007[1]			
	Fiscal Year 2005	**Fiscal Year 2006**	**Fiscal Year 2007 (10 months)**
Sales	$6,065,000	$6,293,000	$5,346,000
Other Revenue[2]	$255,000	$229,000	$224,000
Total Revenue	$6,320,000	$6,522,000	$5,570,000
Total Expenses	$5,107,000	$5,295,000	$4,522,000
Net Proceeds	$1,213,000	$1,227,000	$1,048,000
Assessment Owed to Program[3]	$159,000	$165,000	$150,000
Operator Earnings	$1,054,000	$1,062,000	$898,000

Source: Office of the State Auditor analysis of operator financial data reported to the Colorado Department of Human Services.

[1] Fiscal Year 2007 information is for the first 10 months of the fiscal year.

[2] Vending machine income paid by private vending machine companies and distributed to operators.

[3] Federally authorized levy against the net proceeds of each operator that must be paid to the Program. The Program is authorized to use the assessment for certain expenditures benefitting the Program.

Program Administration

The Business Enterprise Program (the Program) is an organizational unit within the Colorado Department of Human Services' Division of Vocational Rehabilitation. Under state statutes, the Program is the designated State Licensing Agency responsible for the administration of both the federal Randolph-Sheppard Vending Stand and Colorado Business Enterprise Program Acts. As the State Licensing Agency, the Business Enterprise Program is responsible for establishing business enterprises, including capital improvement projects related to those enterprises, on federal and state properties and promulgating rules and regulations to implement the provisions of the federal and state laws. According to federal law, the Program is also required to provide licensed operators with the initial inventory and equipment necessary to operate each business enterprise. The Program maintains ownership of the equipment purchased and requires operators to maintain inventory levels at the amounts originally provided. If requested, the Program will also provide operators with beginning operating cash, which must be paid back to the Program once the business enterprise becomes established. Additionally, the Program collects the commissions from vending machines managed by private companies located on federal and state properties and disburses this income to the licensed operators according to federal and state law. Furthermore, if a business enterprise location becomes vacant, the Program will operate the location with either state employees or with personnel provided by a temporary staffing agency until a licensed operator can be selected through a competitive process. The Colorado Division of Vocational Rehabilitation is responsible for training qualified clients to become licensed operators.

To pay for some of the costs associated with administering the Randolph-Sheppard Vending Stand Act, federal law authorizes the State Licensing Agencies to levy an assessment against the net proceeds earned by each operator managing a business enterprise to be set aside on behalf of all operators for (1) the maintenance and replacement of equipment; (2) purchase of new equipment; (3) management services; (4) ensuring a fair minimum return to operators; and (5) retirement or pension funds, health insurance contributions, and paid sick leave and vacation time if approved by majority vote of licensed operators. The amount of the operator assessment must be established in writing and determined to be reasonable by the Secretary of the United States Rehabilitation Services Administration. The Business Enterprise Program's assessment is collected monthly and is currently set at 1 percent per $100 of each operator's net monthly proceeds, not to exceed 13 percent of the operator's net monthly proceeds. To determine the amount of the assessment owed, operators are required to submit monthly financial reports to the Program. In Fiscal Year 2007, operators incurred approximately $195,000 in operator assessments for the full fiscal year.

The Program has 6.0 full-time equivalent employees who are responsible for administering the Randolph-Sheppard Vending Stand and Business Enterprise Program Acts. The Program's employees include one manager, one administrative support staff person, and four business consultants. The business consultants are the Program's field personnel and function as liaisons between the Program's management and licensed operators. The business consultants also provide technical assistance and training to the licensed operators to assist the operators with maximizing their profits. In the absence of a licensed operator, the business consultants are responsible for overseeing the operation of business enterprises. Support services are also provided by the Department of Human Services' accounting office and by the Division of Vocational Rehabilitation.

The Randolph-Sheppard Vending Stand Act also requires that licensed operators have a role in the administration of the Program. Specifically, according to federal law, the Program is required to establish a Committee of Licensed Operators (the Committee). The Committee is to be fully representative of all licensees and is to (1) participate, with the Program, in major administrative decisions and policy and program development; (2) receive grievances of licensees and serve as the licensees' advocate; (3) participate, with the Program, in the development and administration of a transfer and promotion system for licensees; (4) participate, with the Program, in developing training and retraining programs; and (5) sponsor meetings and instructional conferences for licensees. Licensed operators elect Committee members every two years.

Program Funding

For Fiscal Year 2008 the Business Enterprise Program was appropriated approximately $2.6 million. The Program receives no general fund moneys and is funded from the following sources:

- **Federal Funds.** Each year, the Program receives an allotment of federal funds authorized by Title I of the United States Rehabilitation Act of 1973 (Section 110). The federal government matches most expenditures associated with the Program at a 78.7 percent rate. Basically, for each dollar expended on the Program, the federal government provides 78.7 cents. For Fiscal Year 2008, the Program was appropriated approximately $1.7 million in federal funds, representing approximately 65 percent of the total funds appropriated to the Program.

- **Cash Funds.** The Program receives cash funds from several sources, including sales generated from Program-operated business enterprise locations, operator assessments, and commissions from vending machines being operated by non-licensees on federal and state properties. For Fiscal Year 2008 the Program was appropriated approximately $380,000 in cash funds, representing almost 15 percent of the total funds appropriated.

- **Cash Funds Exempt.** As discussed in more detail below, the Program has an unrestricted fund balance in the Business Enterprise Cash Fund (the Fund) that, upon appropriation, can be used to replace outdated equipment, upgrade and improve business enterprises, develop new business enterprises, enhance the income potential at existing business enterprises, and purchase new equipment for business enterprises. For Fiscal Year 2008 the Program was appropriated about $515,000 in cash funds exempt from the Fund, representing about 20 percent of the total funds appropriated to the Program from all sources. The Program plans to use approximately $235,000 of these funds to make site improvements at existing business enterprises during Fiscal Year 2008. The remaining $280,000 in cash funds exempt will be used for the Program's personal services and routine operating expenditures.

All moneys received by the Program are deposited in the Business Enterprise Program Cash Fund and are subject to annual appropriation by the General

Assembly. Under statute, moneys deposited in the Fund are only to be used for the Program and cannot be appropriated for any other purpose. Furthermore, all interest and income derived from the investment and deposit of moneys in the Fund shall be credited to the Fund. As of June 30, 2007, the Business Enterprise Program Cash Fund's unrestricted fund balance was $770,600.

The following table shows revenue, expense, net profit/loss, and fund balance data for the Business Enterprise Program over the last three fiscal years, as well as FTE appropriations.

Colorado Department of Human Services
Business Enterprise Program
Summary of Operations and Appropriated Full-Time Equivalent (FTE) Employees
Fiscal Years 2005 – 2007

	Fiscal Year			Percent Change FY 05-07
	2005	**2006**	**2007**	
Revenues	$1,018,500	$1,352,000	$1,956,200	+92%
Expenses	$1,045,100	$1,405,200	$1,900,500	+82%
Net Profit/(Loss)	($26,600)	($53,200)	$55,700	+309%
Fund Balance at June 30	$768,100	$714,900	$770,600	< 1%
Appropriated FTE	5.0	5.0	6.0	+20%

Source: Office of the State Auditor analysis of COFRS reports and Long Bill Appropriations.
Note: Fund balance in the Business Enterprise Program Cash Fund at the beginning of Fiscal Year 2005 was $794,700.

Audit Scope

This audit was conducted in response to a request by the Department of Human Services and reviewed the Business Enterprise Program's effectiveness in meeting legislative intent and compliance with the federal Randolph-Sheppard Vending Stand Act, the Colorado Business Enterprise Program Act (Section 26-8.5-101 et seq., C.R.S.), and other legal requirements. The audit evaluated the Program's oversight and monitoring of operator financial reporting and profitability. The audit also assessed the sufficiency of the Program's administrative and financial controls to ensure licensed operators are complying with applicable laws, rules and regulations, and Program agreements, including the timely and accurate payment of the operator assessment. As part of the audit, we reviewed the Program's compliance with recently enacted lawful presence and identification document statutes and with State

Fiscal Rules. The audit scope did not include a review of the Program's receipt and disbursement of vending machine income by private companies, procurement process, or competitive process for selecting operators to manage the business enterprises. Additionally, although the audit included verification of unemployment insurance taxes and wage withholding payments by operators, we did not perform work to determine whether the amount of taxes and withholdings paid by the operators in our sample was accurate. The audit also did not specifically review the Committee of Licensed Operators' role in the Program.

During the audit we interviewed Business Enterprise Program and Department of Human Services staff and a sample of six licensed operators. We also conducted site visits and reviewed financial and performance data maintained by the Program and the operators in our sample. Finally, we contacted the managers of Business Enterprise Programs in California, Florida, South Carolina, and Texas to identify best practices.

Program Performance

As discussed previously, the Business Enterprise Program (Program) is intended to provide operators with remunerative employment, enlarge operators' economic opportunities, and encourage operators to become self-supporting. To evaluate the Program's success in achieving these goals, we reviewed the financial performance of business enterprise operators and the Program's practices for monitoring and improving financial reporting and operator profitability. Overall, we found that the Program has not done enough to ensure operators conduct successful, profitable business enterprises. As we discuss in this report, in Fiscal Year 2006 approximately one-third of Program operators have not earned enough from their enterprises to move above the federal poverty level. We found that operators have poor business practices, make significant financial reporting errors, and in some instances fail to comply with all federal and state laws. The Program was aware of many of the problems we identified during our audit, yet the Program had taken no action to address these issues with operators. Program monitoring of business enterprises and operators between July 2006 and April 2007 was limited, and training was insufficient to provide adequate guidance to operators. As a result, the Business Enterprise Program has fallen seriously short of its potential to improve the economic opportunities and self-sufficiency of blind operators.

In the next two sections we discuss two key areas we reviewed to evaluate Program and operator performance: operator financial reporting and profitability. We identified significant problems in each of these areas that indicate a need for the Program to proactively monitor the financial performance of operators; provide consulting and technical assistance to improve operator business practices, controls over financial reporting, and profitability; and review the financial viability of current and prospective enterprise locations. We discuss these issues below.

Controls Over Financial Reporting

Complete and accurate financial information is critical to evaluating the financial performance of individual business enterprises and the progress of individual operators toward self-sufficiency. Information on the financial performance of operators is also important for assessing the performance of the Business Enterprise Program overall. To ensure operators apply sound business practices and report accurate and timely information on the financial performance of their business enterprises to the Program, the Program requires licensed operators to sign an operator's agreement for each business enterprise being managed. The operator's agreement is a contract between the Program and the operator and sets forth specific financial reporting and record retention requirements. The operator's agreement requires licensed operators to abide by all Program rules and regulations and submit a standard monthly financial report to the Program detailing the daily sales, purchases for resale, operating expenses, wages, and cash on hand for each location. The agreement also requires operators to account for and report the financial operations of the business enterprises on a cash basis, maintain all records supporting the monthly financial reports for three calendar years, and make those records available for audit upon request. The Program uses the monthly financial reports to calculate the assessments owed by operators to the Program and to pay sales taxes on behalf of operators. Additionally, the Program summarizes information from the operators' monthly financial reports and submits the summaries annually to the United States Rehabilitation Services Administration, which uses the information to evaluate and compare the Program's performance with other states.

We evaluated the Program's oversight of the financial reporting and business practices of licensed operators to determine whether the operators were providing complete and accurate monthly financial reports. We also evaluated whether the Program was analyzing the reports to identify operators with weak financial controls or poor business practices and providing the operators with training and technical assistance. We inspected nine locations managed by six licensed operators and reviewed the operators' (1) cash receipt and disbursement systems, (2) completion and timely submission of Program-required financial reports, (3) retention of business records and supporting documentation, and (4) payment of workers' compensation insurance and employee withholding and business taxes. We also assessed the operators' compliance with applicable federal and state laws, state rules and regulations, and the Business Enterprise Program's contract or operator's agreement. Audit work included vouching sales and expenses on monthly financial reports submitted by operators to the Business Enterprise Program to the operators' supporting documentation and assessing whether business expenses, such as expenses for wages and for materials and goods purchased for resale, appeared appropriate under applicable laws and regulations. In total, we reviewed 62 monthly financial reports containing sales of $686,000, which represented 13 percent of total sales reported for all licensed operators through the first 10 months of Fiscal Year 2007.

Overall, we found that the Program has not monitored the business practices of operators or established sufficient controls to ensure operators report accurate and complete financial information. Specifically, we identified the following problems:

- **Lack of valid operator's agreements**. We found that the Program has allowed operators to begin work at business enterprise locations without a fully executed operator's agreement. Operators are considered independent contractors and are required to sign the Program's operator's agreement for each location managed. We reviewed the files for the nine locations included in our sample, and for four locations neither the operator nor the Program could provide us with fully executed operator's agreements. For three of these four locations, the operator's agreements were not fully executed because signatures from either the operator or Program staff were missing. The operators have conducted business at these locations without fully executed operator's agreements for about two to three years. As of the end of our audit, Program staff reported that these operator's agreements now have all required signatures and are fully executed. For the other location, Program staff reported that the operator, who conducts business at two different locations, has refused to sign the operator's agreement for one of the locations. This operator has conducted business without a signed operator's agreement at that one location for more than one year. Prior to our audit, the Program had not taken any enforcement action against this operator. As of the end of our audit, Program staff reported that this operator has been removed from the business enterprise location.

- **Lack of support for reported sales.** We found that the operators in our sample are not maintaining sufficient documentation to support the amount of sales reported to the Program. According to the operator's agreement, operators are to keep "all records supporting the monthly facility report for a period of three calendar years." Supporting records include cash register tapes, bank deposits, and copies of checks paid to operators. Of the $686,000 in sales reviewed, we found that the operators managing four of the nine business enterprises in our sample (one snack bar and three vending machine routes) did not have supporting documentation for almost $195,000 in sales, or 28 percent. For example, the operator managing the snack bar in our sample could not provide supporting documentation for almost $54,000 in sales, which represented all sales reported to the Program by this operator during the period we reviewed. This operator had a cash register, purchased by the Program, which provides detailed and summary cash register tapes recording all transactions processed by the register. According to Program staff, the Program trained the operator to balance the cash drawer and prepare a daily sales report from the cash register tapes, and the operator should be retaining the cash register tapes for three calendar years as required by the operator's agreement. The operator informed us that the tapes had been destroyed. We attempted to verify reported sales by reviewing the operator's bank records; however, these records were not complete and could not be used to substantiate the daily sales for this location. We also found that the two operators managing the three vending machine routes lacked supporting documentation for all vending machine sales. Of the $195,000 in unsupported sales from our sample, nearly $141,000, or 72 percent, was from vending machines. One operator could not provide bank records because, according to the operator, all cash collected from vending machines was maintained at the operator's home. Neither of the two vending machine operators conducted routine inventories. Consequently, these operators could not provide information to verify the amount of reported sales for these three vending machine routes.

- **Lack of support for reported expenses.** Of the $418,000 in reported business expenses reviewed, we found that approximately $69,000, or about 17 percent, lacked supporting documentation (e.g., payroll checks, invoices, receipts). For example, one operator in our sample could not provide receipts or credit card statements supporting $4,600 in cash payments reported as having been made to pay down the overdue balance on a store credit card. Without the actual credit card receipts for the original charges, we were unable to determine if the expenses were for business purposes. Since business expenses reduce an operator's income and therefore the assessment due to the Program, it is important that the expenses be for legitimate business purposes and comply with Program rules.

- **Questionable business expenses.** Of the $418,000 in reported business expenses reviewed, we questioned approximately $10,200, or more than 2 percent, because the expenses appeared to be either excessive or unrelated to the operation of a business enterprise location. For example, one operator in our sample reported $1,000 per month in transportation expenses to the Program for the period reviewed, or $5,000. The operator provided the Program and our staff with copies of invoices from a transportation company as support for the expenses. During our review the operator reported that the transportation company did not exist and that he could not provide documentation to support the basis for the expense (e.g., odometer readings). We also questioned the reasonableness of several operators' cell phone charges. For example, during one month an operator reported more than $980 in cell phone charges for three employees, or about $327 per employee. The operator could not explain the business purpose for the cell phone charges. Finally, we identified two operators that reported duplicate business expenses to the Program, with overcharges totaling about $2,000.

- **Failure to pay required taxes.** We identified one operator who was not paying unemployment insurance taxes to the Colorado Department of Labor and Employment and was not reporting wages to the Department or Internal Revenue Service or withholding federal and state income taxes from the employees' pay, as required by law and the Program's operator's agreement. This operator operates three vending machine routes and employs three individuals. For the 10 months reviewed, we found that the operator made cash payments of almost $9,800 to the three employees. We brought this issue to the attention of the Program, and the Program instructed the operator to comply with applicable unemployment insurance tax and federal and state withholding laws by September 6, 2007 or the matter would be referred to the appropriate state and federal authorities for enforcement action.

- **Errors in reported sales.** We found that 5 of the 6 operators in our sample failed to report about $3,200 in sales to the Program. The operators had recorded the sales in their accounting systems but failed to transfer the amounts to the Program-required financial reports. We also identified one operator who reported the transfer of goods between two of his business enterprise locations as a "sale" to the new location and an "expense" to the old location, which overstates both the sales and expenses reported to the Program. The operator's practices are not impacting reported net proceeds or the resulting assessment paid to the Program. However, we found that the Program, which pays sales taxes on behalf of all licensed operators, was unknowingly paying sales taxes on the sale of the same product multiple times. According to the operator, Program staff trained the operator to record the transactions as "sales" rather than transfers.

Improvements

Our findings raise questions about the accuracy of the financial information used by the Program to monitor operator performance and calculate Program assessments. These problems also indicate the need for operator training and technical assistance. Additionally, our findings raise concerns about the accuracy of the performance information reported to the federal government. The Business Enterprise Program needs to take immediate action to strengthen the controls over the financial reporting of operators and take a more proactive approach to monitoring their business activities.

First, the Program should have in place a fully executed operator's agreement with all operators currently managing a business enterprise location for the State. This will require the Program to review its files and identify locations with missing or incomplete operator's agreements. If an operator refuses to sign the agreement, the Program should take steps to remove the operator from the business enterprise and either suspend or terminate the operator's licenses in accordance with federal and state regulations.

Second, the Program should revise its current rules and regulations and the standard operator's agreement to more specifically define, and in some instances limit, the business expenses that can be deducted by operators when calculating the operator assessment. To date, the Program has not defined allowable business expenses or capped certain types of expenses, such as cell phone service, that operators may deduct from reported sales. The operators we visited expressed difficulty in determining which business expenses are allowable and reasonable, especially regarding transportation and cell phone expenses. In developing its rules and regulations, the Program should review the policies and rules and regulations of other states to identify best practices. For example, Florida's policies and procedures authorize operators to deduct the costs of a cell phone, if necessary, but limit the deduction to $35 per month. Furthermore, Tennessee has developed rules related to calculating and deducting transportation expenses. Specifically, Tennessee's rules authorize operators of vending routes to deduct actual miles driven (which must be supported by a mileage log) at the rates specified in the Tennessee Comprehensive Travel Regulations. Operators who deduct expenses for actual miles driven cannot also deduct expenses for vehicle maintenance and repair. Additionally, Tennessee's rules prohibit operators from claiming business expenses for commuting to and from an operator's home. At a minimum, the Program's rules and regulations should clarify the allowability of transportation and cell phone expenses. The Program should also train operators regarding changes to its rules and regulations and the operator's agreement.

The third area the Program needs to improve is its processes for monitoring the financial reporting and business activities of licensed operators. For the period we audited (July 2006 through April 2007), the Program was not conducting regularly scheduled, on-site monitoring of operators' business activities or verifying the accuracy and allowability of the information reported by operators in the monthly financial reports. We found that Program staff had visited some business enterprise locations during Fiscal Year 2007; however, these visits were driven primarily by operator or federal and state property manager complaints and did not include a systematic review of the operators' compliance with the operator's agreement and applicable federal and state laws and regulations. Furthermore, the Program's visits to the business enterprises did not include verifying the accuracy, allowability, or reasonability of the information reported by operators in the monthly financial reports. For the period audited, we also found that Department accounting staff routinely reviewed the operators' monthly financial reports for mathematical accuracy; however, neither Program nor Department accounting staff used the reports to identify operators who appeared to be reporting questionable or excessive expenses for follow-up.

Monitoring the operators' business practices and financial reporting is vital to the success of the Program and, as discussed later in this report, is essential for evaluating the performance of each business enterprise and the overall Business Enterprise Program. Through systematic, on-site monitoring, Program staff not only gain an understanding of the business enterprises' operations but also can identify the causes for declining or increasing profitability and provide technical assistance, as necessary. Systematic, on-site monitoring by Program staff also ensures that the information being reported by operators is accurate, complete, and compliant with requirements. To ensure on-site monitoring is consistent and effective, the Program should develop an on-site evaluation tool that addresses key factors such as compliance with the terms and conditions of the operator's agreement; payment of applicable business taxes, insurance, and employee withholdings; and verification of the accuracy of reported sales and expenses. The Program should document the results of the reviews, develop a corrective action plan for noncompliant operators, and follow up with operators to ensure problems are resolved. Additionally, the Program should seek to recover any unpaid assessments identified during the on-site reviews.

The fourth area the Program should address is improving controls over vending machine sales. Program staff report that they have started researching a new, electronic monitoring system for vending machines. The system is designed to record the amount of money deposited in each vending machine along with the quantity of products disbursed. As such, Program staff would be able to remotely match the readings from the electronic monitoring system to reported sales. Until the Program implements an electronic monitoring system, Program staff should require operators with vending machines to conduct regular inventories and deposit all vending machine sales intact into a bank account. Program staff should conduct surprise inventory counts and routinely witness the collection and counting of vending machine sales, comparing the results to prior monthly reports and identifying any significant variations.

Finally, the Program should begin using existing enforcement mechanisms (license suspension or termination) to ensure operators comply with applicable federal and state laws, rules and regulations, and the Program's operator's agreement. Operators with continued deficiencies should have their licenses terminated and be removed from the Program.

Recommendation No. 1:

The Department of Human Services should increase its oversight of Business Enterprise Program operators to ensure accurate financial reporting and compliance with applicable laws, rules and regulations, and the operator's agreement by:

a. Ensuring only operators with fully executed contracts or operator's agreements are managing business enterprise locations.

b. Revising the Program's rules and regulations to define allowable and unallowable business expenses and, where necessary, cap the amount of certain business expenses that can be deducted from operator sales. The Program should conduct training for operators to update them on changes to the rules and regulations and operator's agreement.

c. Reviewing the operators' monthly financial reports to identify operators who appear to be reporting questionable or excessive expenses for follow-up by Program staff.

d. Conducting annual on-site reviews at each business enterprise location to ensure that operators are maintaining documentation sufficient to support reported sales and expenses, reporting only allowable business expenses, reporting all revenue earned, paying applicable business and employee withholding taxes, and complying with the terms and conditions of the operator's agreement. To ensure the on-site reviews are consistent and effective, the Program should develop an on-site evaluation tool and train the business consultants on its use.

e. Improving the controls over vending machines to ensure that sales are reported completely and accurately. This should include surprise monitoring visits to count inventory and observe cash counts.

f. Taking enforcement action against operators with recurring deficiencies, including license suspension and termination as appropriate.

Department of Human Services Response:

Agree.

a. Implementation date: December 2007.

The Business Enterprise Program (the Program) is currently auditing all blind operator files to ensure there is a properly executed operator agreement in every current location file. Operator agreements are also being revised, and the new agreement will be distributed to all blind operators for their signature by December 1, 2007.

b. Implementation date: November 2007.

The Program has revised its rules and begun work on a Program Policy Manual that will conform with the rules. The revised Program rules will be submitted for approval with the Division of Vocational Rehabilitation's General Program and Independent Living rules as a package to the State Board of Human Services in November 2007. The Program's trainer has formulated a plan to train blind operators in all new rules and policies.

c. Implementation date: October 2007.

The Program is working with the Colorado Department of Human Services (CDHS) accounting office to share blind operator monthly financial reports between the accounting office downtown and the Program office in west Denver. Accounting is now scanning and sending the financial reports to the Program for review monthly.

d. Implementation date: Implemented/Ongoing.

The Program has revised the blind operator evaluation tool and is currently using the new updated evaluation tool as a compliance form placing an emphasis on fiscal responsibility on a six-month cycle to evaluate every blind operator. When the Program finds that a blind operator is not complying with Internal Revenue Service (IRS) or Colorado Department of Labor and Employment (CDLE) laws, the Program will notify the blind operator via letter to immediately comply with the law, or the Program will report the non compliance to the IRS and CDLE.

e. Implementation date: June 2008.

A wireless monitoring inventory and cash tracking system has been purchased for all nine major Program vending routes to improve oversight of cash vending revenue. The system has been initially implemented at the largest vending route and will be rolled out at the other vending locations during Fiscal Year 2008. The Program has also met with CDHS accounting and Office of Information Technology Services to begin the request for proposal process for developing a new Program database reporting system which will improve Program reporting and tracking systems. The Program's business consultants already personally visit each business enterprise location making scheduled as well as unannounced visits.

f. Implementation date: November 2007.

The Program recognizes better enforcement rules are needed for recurring deficiencies and is in the process of rewriting the rules; please see (b). The Program has revised its rules to better take enforcement action against operators with recurring deficiencies and will suspend and terminate operators' licenses, as appropriate, according to due process afforded in the Rules.

Operator Profitability

In the private sector, a company's owners, management staff, and investors use financial ratios and indicators to evaluate the performance of a business. Examples of some of the financial measures commonly used to assess business performance include net income, profit margin, and return on assets. With respect to business enterprises operated under the Randolph-Sheppard Vending Stand Act, the licensed operators' net earnings is the measure typically used to assess financial performance in both Colorado and nationally. The United States Rehabilitation Services Administration requires that all states administering Business Enterprise Programs under the Act annually submit a report detailing the operators' net earnings. According to federal policy, net earnings is calculated by subtracting the cost of materials or goods purchased for resale, wages, sales taxes, business expenses, and the Program assessment from total revenue for each operator.

We evaluated the financial performance of the Business Enterprise Program by analyzing net earnings calculated from the financial data reported by Colorado operators for Fiscal Years 2002 through 2006. Overall, we found that Colorado operators, on average, earned less in Fiscal Year 2006 than in Fiscal Year 2002 and that the number and percentage of Colorado operators earning less than $25,000 per year has increased significantly over the five-year period. It is important to note that we used financial information reported by operators to conduct our analysis, and as discussed previously, we identified concerns with the accuracy and completeness of information in these financial reports. Therefore, actual profitability could be greater or less than the amount reported if the operators had provided complete and accurate information.

The following table shows the decrease in both average and median annual net earnings reported by Colorado operators from Fiscal Year 2002 through 2006. As the table shows, average annual net earnings decreased by 9 percent and median net earnings decreased by 22 percent from Fiscal Year 2002 through 2006, although there was an increase in average annual net earnings in Fiscal Year 2006 above the previous year. Average annual net earnings is higher than median net earnings because a few operators earn disproportionately higher incomes, which raises the average annual net earnings for all operators.

Colorado Department of Human Services
Business Enterprise Program
Comparison of Operators' Average and Median Annual Net Earnings[1]
Fiscal Years 2002 - 2006

	Fiscal Year					Percent Change FY 02-06
	2002	2003	2004	2005	2006	
Colorado Average Annual Net Earnings[2]	$53,100	$50,400	$45,300	$45,800	$48,300	-9%
Colorado Median Annual Net Earnings[2]	$38,900	$39,100	$32,900	$29,500	$30,400	-22%

Source: Office of the State Auditor analysis of operator financial data reported to the Colorado Department of Human Services by Business Enterprise Program operators.

[1] Net earnings is the amount remaining from the sale of articles or services of vending facilities, and any vending machine or other income accruing to blind vendors after deducting the cost of such sale, other expenses, and the Program assessment.

[2] Excluded operators who did not manage a business enterprise location for the entire fiscal year.

We also analyzed the range of operator net earnings for Fiscal Years 2002 and 2006. As the table on the next page shows, we found that the percentage of operators earning less than $25,000 per year has increased from 27 percent, or 6 out of 22 operators, in Fiscal Year 2002 to 45 percent, or 10 out of 22 operators, in Fiscal Year 2006. Additionally, we found that although 6 of the 22 operators earned above $75,000 in Fiscal Year 2006, 7 of the 10 operators in the lowest range reported earnings below the national poverty level for a family of four ($20,000) during Fiscal Year 2006.

Colorado Department of Human Services
Business Enterprise Program
Operator Annual Net Earnings by Income Level
Fiscal Years 2002 - 2006

Annual Net Earnings		Fiscal Year 2002	2003	2004	2005	2006	Percent Change FY 02-06
Under $25,000	Operators	6	5	7	8	10	+67%
	Percent	27%	22%	28%	36%	45%	
$25,000 - $49,999	Operators	8	10	11	8	6	-25%
	Percent	36%	43%	44%	36%	27%	
$50,000 - $74,999	Operators	4	5	3	3	0	-100%
	Percent	18%	22%	12%	14%	0%	
$75,000 - $99,999	Operators	1	1	2	1	3	+200%
	Percent	5%	4%	8%	5%	14%	
$100,000 and Above	Operators	3	2	2	2	3	0%
	Percent	14%	9%	8%	9%	14%	
Total Colorado Operators		22	23	25	22	22	0%

Source: Office of the State Auditor analysis of operator financial data reported to the Colorado Department of Human Services by Business Enterprise Program Operators.
Note: We excluded operators who did not manage a business enterprise location for the entire fiscal year.

To gain a better understanding of the recent decline in operator net earnings, we analyzed the components used to calculate an operator's net earnings in Colorado between Fiscal Years 2002 and 2006. Our analysis determined that disproportionately large increases in operators' wages and business expenses appear to be driving the recent decline in operators' net earnings. Specifically, between Fiscal Years 2002 and 2006, we found that the average wages and business expenses reported by operators have increased at a much faster pace than net sales (total sales minus merchandise purchased for resale and sales taxes). As the table on the next page shows, over the five-year period, average wages and business expenses reported by operators increased by 19 and 52 percent respectively, while net sales increased by only 13 percent. We also found that the vending machine income paid by private vending machine companies to the Program and distributed to operators declined significantly (39 percent) over the five-year period, from $327,000 in Fiscal Year 2002 to $200,000 in Fiscal Year 2006. Program staff report that a portion of the decline in vending machine income is attributable to the Program reassigning private vending machine routes to licensed operators. Reassigning private vending machine routes lowers the income paid by third-party vending machine companies to the

Program but increases revenues to those operators assuming management of the vending machines.

Colorado Department of Human Services Business Enterprise Program Operators' Sales and Expenses[1] Fiscal Years 2002 - 2006						
	Fiscal Year					Percent Change FY 02-06
	2002	**2003**	**2004**	**2005**	**2006**	
Total Sales	$5,145,000	$5,584,000	$5,725,000	$5,749,000	$5,763,000	+12%
Merchandise Purchased for Resale and Sales Taxes	($2,862,000)	($3,121,000)	($3,153,000)	($3,189,000)	($3,184,000)	+11%
Net Sales	**$2,283,000**	**$2,463,000**	**$2,572,000**	**$2,560,000**	**$2,579,000**	**+13%**
Wages	($1,101,000)	($1,267,000)	($1,359,000)	($1,399,000)	($1,315,000)	+19%
Other Business Expenses	($164,000)	($191,000)	($191,000)	($234,000)	($250,000)	+52%
Net Proceeds	**$1,018,000**	**$1,005,000**	**$1,022,000**	**$927,000**	**$1,014,000**	**-0.4%**
Other Income[2]	$327,000	$330,000	$282,000	$232,000	$200,000	-39%
Program Assessment	($176,000)	($176,000)	($171,000)	($150,000)	($160,000)	-9%
Net Earnings	**$1,169,000**	**$1,159,000**	**$1,133,000**	**$1,009,000**	**$1,054,000**	**-10%**

Source: Office of the State Auditor analysis of operator financial data reported to the Colorado Department of Human Services by Business Enterprise Program operators.

1 Excluded operators who did not manage a business enterprise location for the entire fiscal year.

2 Vending machine income paid by private vending machine companies and distributed to operators.

Program staff were unaware that operator performance, as measured by average annual net earnings, had declined since Fiscal Year 2002. This is because the Program does not conduct any systematic analyses of the financial performance of operators or compare the profitability or financial viability of various locations. Program staff provided several potential reasons that they believed could explain the recent decline in operator performance, including (1) reductions in federal and state employees (customers) at certain locations or closures, thus affecting sales; (2) increased competition from nearby restaurants; (3) pressure by state and federal property managers (e.g., United States General Services Administration) to maintain low-performing locations; and (4) the misreporting of financial information by licensed operators to avoid paying the Program-required assessment. However, because the

Program has not analyzed any of these factors or acted to address them, the Program cannot substantiate the extent to which any of these factors are driving the financial performance of operators or specific locations.

We contacted four other states (California, Florida, South Carolina, and Texas) and two of these states (California and Florida) also reported declining operator profitability. According to California and Florida, business enterprise locations that are profitable must serve many more customers today than they served in the past because of today's higher cost of doing business. To reduce operating costs and increase operator profitability, all four states are identifying their low-performing business enterprise locations and converting them from more labor- and cost-intensive enterprises (full-service cafeterias) to those enterprises that are less expensive to operate (snack bars and vending machines).

The Program is appropriated 4.0 FTE to provide business consulting and technical assistance to help operators conduct successful and profitable enterprises. Each consultant serves an average of seven operators. Although the Program had staff vacancies during Fiscal Years 2006 and 2007, it is clear that staff need to do more to analyze financial information, including sales, wage, and business expense data, to help operators identify and address factors impacting profitability. To improve profitability and assist operators with moving toward self-sufficiency, the Program should conduct a systematic analysis of the financial performance of all business enterprise locations at least annually. The Program's analysis should include an examination of all elements that affect net earnings (e.g., sales, wages, purchases of goods or services for resale, business expenses, and taxes) for changes and trends that contribute to changes in net earnings at each site. Without knowing the exact cause for changing profitability, the Program will be unable to identify problems and advise operators on the actions needed to improve performance. The Program should also provide technical assistance and training to operators with low-performing sites, as needed. This should include routine on-site training, implementation of internal controls, product pricing analysis, and an analysis of location needs and advice on cost containment and adequate staffing.

The Program should also use its analysis to restructure business enterprise locations as necessary to improve profitability and to respond to state and federal property managers that apply pressure to keep unprofitable locations open, if such pressure in fact is an issue. For example, the Program could consolidate, modify, or close low-performing business enterprise locations if performance data indicate the locations are not profitable. Additionally, the Program could conduct market studies for low-performing business enterprise locations to determine if the location should be modified to meet customer demand. For example, based on market studies, a business enterprise location may need to offer specialty coffee and breakfast products to compete with local retail stores.

Furthermore, the Program should use performance data to establish an annual goal for improving operator profitability and establish a minimum and statewide target for the average annual net earnings to be achieved by all operators each year. The Program should report the targeted net earnings, compared with actual operator earnings, to the General Assembly in the Department of Human Services' annual budget request. The Department does not currently report meaningful performance data regarding the Business Enterprise Program to the General Assembly for funding decisions. Finally, as discussed previously in this report, our recommendation regarding controls over financial reporting must be addressed as part of any systematic review of overall Program performance before taking steps to restructure and improve the profitability of specific locations.

Recommendation No. 2:

The Department of Human Services should take steps to improve the performance of Business Enterprise Program operations and achieve Program goals by:

a. Annually conducting a systematic analysis of the financial performance of all operators to identify changes in each operator's reported net earnings and reasons for changing profitability.

b. Taking steps, on the basis of the analysis in Part "a," to improve profitability such as consolidating, modifying, or closing low-performing locations. In addition, the Program should provide technical support to operators with low-performing sites, as needed, and conduct market studies to maximize the location's income potential.

c. Using the analysis to establish a statewide target for the minimum and average annual gross and net earnings for all operators and reporting the results to the General Assembly in the Department of Human Services' annual budget request.

d. Improving the accuracy and reliability of financial data reported by operators, as discussed in Recommendation No. 1 of this report.

Department of Human Services Response:

Agree.

a. Implementation date: July 2008.

The Business Enterprise Program (Program) will either enlist Colorado Department of Human Services' auditors or hire independent auditors to annually conduct a systematic analysis of financial performance comparable to the analysis done during this audit. Business consultants will continue analyzing each operator and location on a continual basis.

b. Implementation date: November 2007/Ongoing.

The Program is developing a new plan to evaluate consolidating, modifying, or closing some locations and presenting this evaluation to the Committee of Blind Operators for their participation. The Program and Committee have traditionally made the same determinations through market studies to close or consolidate locations. In some cases, it would be a mistake to close a location that has not reached its maximum potential while being run by marginal business practices. The Program's business consultants systematically assess the profitability and viability of each facility on an ongoing basis. Through personal site visits, business consultants make recommendations and communicate with the Division of Vocational Rehabilitation to make adaptive technology available to assist the blind operators.

c. Implementation date: April 2008.

The Program will revise its performance measures in order to report meaningful performance data as part of the Strategic Plan section of the Department's annual budget request.

d. Implementation date: June 2008.

Please see response to Recommendation No. 1.

Program Administration

The Business Enterprise Program is required to perform numerous day-to-day activities to successfully administer the Randolph-Sheppard Vending Stand and Business Enterprise Program Acts. As part of the audit, we reviewed the Program's (1) processing of operator delinquent accounts, (2) payment of expenses on behalf of operators, (3) payments to vendors for goods and services, and (4) compliance with recently enacted legislation concerning a person's lawful presence and the provision of services. We also reviewed the Program's compliance with State Fiscal Rules and statute and assessed whether the Program's processes for administering the federal and state Acts could be improved. In the following four sections of this report, we discuss our recommendations related to the Program's administrative activities.

Delinquent Accounts

Operators are required to pay the Business Enterprise Program an assessment based on a percentage of the net proceeds earned each month. For Fiscal Year 2007, operators paid assessments to the Program averaging approximately $16,000 per month. The Program also pays the sales taxes, liability insurance, and phone service for each business enterprise location and then seeks reimbursement from the managing operator. Operators are billed at the end of each month for all amounts owed to the Program. If an operator fails to make payment by the 25th of the following month, the operator's account becomes past due or delinquent, under the operator's agreement. As of May 31, 2007, the total accounts receivable for all operators was more than $133,000.

Section 24-30-202.4, C.R.S., states that "all state agencies shall refer to the [State] controller debts due the state which the agency has been unable to collect within thirty days after such debts have become past due, together with the data and information necessary for the controller to institute collections procedures." The State has established Central Collection Services with the Department of Personnel & Administration to act as a collection service for debts referred to the State Controller. According to the Fiscal Procedures Manual and Department of Personnel & Administration Accounts Receivable Collections Administrative Rule:

- State agencies must establish a due date that provides reasonable assurance of prompt payment.

- Due date is defined as the date when payment for invoiced goods or services must be made to the State.

- Past due is defined as the debt has not been paid by the close of business on the due date.

- State agencies must establish a timely, systematic set of procedures for follow-up action once an account is determined to be past due. It is recommended that the follow-up procedures include telephone calls and at least one delinquency letter.

- State agencies must refer all debts to the State Controller for collection when the debt is 30 days past due. However, a debt may be referred earlier if the state agency has made a valid effort to collect without success or if the state agency has lost contact with the debtor.

We reviewed the Business Enterprise Program's practices for identifying and referring delinquent accounts to Central Collection Services and found that the Program has not instituted sufficient collection procedures or met the statutory collection referral deadlines. We reviewed the Program's accounts receivable records for operators and found that as of May 31, 2007, out of total accounts receivable from operators of more than $133,000, four former and five current operators had accounts totaling $71,240, or about 54 percent of accounts receivable, that were at least 31 days past due. Eight of these accounts were more than 90 days past due. As shown in the table below, out of the $71,240 in delinquent accounts, more than $62,000 was for accounts over 90 days past due.

Colorado Department of Human Services
Business Enterprise Program
Operator Delinquent Accounts Receivable
As of May 31, 2007

Operator	31 to 90 Days Past Due	91 + Days Past Due	Total
1	$0	$20,100	$20,100
2	$40	$14,000	$14,040
3	$0	$10,100	$10,100
4	$3,400	$3,600	$7,000
5	$2,300	$4,200	$6,500
6	$0	$6,400	$6,400
7	$900	$2,700	$3,600
8	$1,800	$1,000	$2,800
9	$700	$0	$700
Totals	$9,140	$62,100	$71,240

Source: Office of the State Auditor analysis of the Business Enterprise Program accounts receivable aging report.

For the delinquent accounts of the four former and five current operators, we found that the Program failed to institute adequate follow-up collection procedures or submit the accounts to Central Collection Services, as required by state law and Fiscal Rules.

Additionally, over the course of the audit, we learned that three of the current operators with past due accounts have refused to pay their financial obligations to the Program because of disagreements with Program staff. In total, these three operators had past due balances exceeding $23,000. No enforcement action has been taken against these operators for refusing to make payments to the Program as of the end of our audit.

Collection follow-up procedures are essential for maximizing the dollars collected on delinquent accounts. The longer an account remains delinquent, the less likely it is that the account will be paid, especially if the operator has left the Program. As a result of the Program's failure to collect on delinquent accounts as required by statutes and Fiscal Rules, the Program has not maximized the collection opportunities for delinquent accounts. Furthermore, the Program has not ensured a level playing field among operators, since the Program takes no recourse against those operators who do not pay assessments or reimburse the State for expenses paid on their behalf, such as sales taxes and liability insurance, thus in effect penalizing those operators who pay on time. Furthermore, when operators fail to pay their assessments, the Program does not receive all federal matching funds the Program otherwise could. Since the assessments and matching federal funds are used to provide benefits to all operators, failure to collect on delinquent accounts for some operators negatively impacts the funds available for all Program participants.

Currently the Program lacks standard procedures for handling delinquent accounts. Program management and Department of Human Services' accounting staff have not assigned anyone responsibility for instituting follow-up collection procedures or submitting delinquent accounts to Central Collection Services. The Program and Department should work together and take prompt action to improve the collection of delinquent accounts owed by former and current operators, as required by statute and State Fiscal Rules.

Recommendation No. 3:

The Department of Human Services should work with the Business Enterprise Program to actively pursue the collection of past due operator accounts. This should include:

a. Developing a written policy for the handling and processing of delinquent operator accounts. At a minimum, the policy should assign responsibility to specific staff persons for conducting follow-up collection procedures and submitting delinquent accounts to Central Collection Services. The policy should also specify the required follow-up collection procedures (e.g., one demand letter and one phone call).

b. Instituting follow-up collection procedures immediately upon an account becoming past due. The Program's follow-up collection actions should be documented and maintained in the operators' files.

c. Referring all debts to Central Collection Services when the debt is 30 days past due, as required by statute and State Fiscal Rules.

d. Taking enforcement action against any operator who refuses to make payment, including license suspension and termination as necessary.

Department of Human Services Response:

Agree.

a. Implementation date: November 2007.

   The Colorado Department of Human Services (CDHS) accounting will give the Business Enterprise Program (Program) a draft policy for handling and processing delinquent blind operator accounts, including specifying accounting and Program personnel roles for conducting collection procedures. CDHS accounting is in the process of drafting its policy for review by the Program.

b. Implementation date: Implemented.

   CDHS accounting is following state fiscal policy which states that accounts owing the State are past due after 30 days. Accounting is sending letters indicating the balance due to the blind operators and allowing the blind operators seven (7) calendar days to respond; then a follow-up telephone call is made by accounting, followed by submissions to the collections agent if no agreement is reached. Seven letters to blind operators have been sent out since September 1, 2007. Accounting's and the Program's follow-up collection procedures are being documented and maintained in the operators' files.

c. Implementation date: Implemented.

   The Program is now complying with State Fiscal Rules regarding the collections process.

d. Implementation date: Ongoing.

Accounting began communicating with operators to enforce payment on August 1, 2007. The Program will enforce payment, including license suspension, after the appeal process which allows due process, according to the Colorado Business Enterprise Program Act.

Operator Expenses Paid by the Program

The Business Enterprise Program's current practice is to obtain a sales tax license in the State's name and pay the sales taxes, liability insurance, and phone service for each business enterprise location and seek reimbursement for these expenses from the managing operator. The Program has historically paid these expenses on behalf of operators to ensure that operators are complying with state and local sales tax laws, are adequately insured should an accident occur at the business enterprises, and are available by phone. We believe the Program's practices do not meet the intent of the Randolph-Sheppard Act, which is to "stimulate the blind to greater efforts in striving to make themselves self-supporting." While the Program has a role in providing technical support to the operators, the operators are fully responsible for managing each business enterprise and, similar to a private business owner, should be required to obtain a sales tax license, pay required sales taxes, and obtain and pay for their liability insurance and phone service.

We found that the Program's practice of paying for and seeking reimbursement from operators for sales taxes, liability insurance, and phone service has led to inefficiencies and management issues. First, we found that the Program's processes for seeking reimbursement from operators have led to disputes between the Program and certain operators. For example, the Program does not provide operators with the original invoice for the expenses paid on their behalf, and several operators have questioned whether the amounts the Program has charged them are legitimate. One operator we interviewed told us that he refuses to reimburse the Program for any Program-paid expenses until he is provided with an original invoice. In particular, the operator is concerned that his phone service charges are high because his staff are making personal, long-distance phone calls. Without an original invoice or phone call log, the operator cannot determine whether certain employees are making inappropriate calls and cannot take corrective action to manage his expenses.

Second, the Program reports problems related to its payment of sales taxes on behalf of operators. The Program depends on the timely and accurate financial reports from operators to pay the proper amount of sales taxes to the local jurisdictions. However, Program accounting staff report that the operators' financial reports do not consistently contain complete and accurate information to calculate sales taxes properly and the reports are not always timely. We confirmed problems with errors in operator financial reports and discussed these concerns earlier in this report. In particular, we noted one operator that recorded transfers of merchandise between locations as sales on his financial reports, which caused the Department to unknowingly pay more sales tax on behalf of this operator than was actually due. Department staff also reported problems with the timely submission of operator financial reports. When reports are not timely, the Program is unable to pay the sales taxes owed to the local jurisdiction within required timelines. According to Department accounting staff, local jurisdictions routinely contact Department staff to demand payment because payment deadlines have not been met.

Third, we found that the Program is expending limited resources to process payments that are the responsibility of the operators. On the basis of our work, we estimate that Program management and accounting staff spend a total of between 10 and 40 hours per month calculating and issuing payments on behalf of the operators. The time spent processing payments and requesting reimbursement from operators could be used more effectively to address the Program's monitoring and performance issues, as discussed previously. Alternatively, staff resources could be shifted to other activities within the Department of Human Services, resulting in cost savings for the Program.

We contacted the managers of the Business Enterprise Programs in California, Florida, South Carolina, and Texas to determine if these programs paid sales taxes and other businesses expenses on behalf of operators and then sought reimbursement from the operators. None of the four states reported paying either the sales tax or phone bills for their operators, and only one state reported paying liability insurance. In these other states, operators are responsible for paying sales taxes and phone service expenses at each business enterprise location.

The Program should discontinue its practice of paying and seeking reimbursement from operators for their operating expenses, such as sales taxes, liability insurance, and phone service expenses. Instead, similar to other private business owners, operators should be responsible for paying all expenses related to the operation of their business enterprise location. The Program will need to revise the operator's agreement to clarify that operators are responsible for obtaining sales tax licenses, liability insurance, and phone service and for the payment of all taxes and expenses related to their business enterprise. The Program should also clarify in the operator's agreement the grounds for which operators can be terminated from the Program, including not maintaining the required licenses and insurance and not paying sales and other business taxes. Additionally, the Program should transfer the sales tax license for each business enterprise location from the State to the responsible operator. During on-site reviews, the Program should verify that operators have purchased the correct amount of liability insurance and are paying sales taxes in a timely manner. If the Program identifies any operators who have not maintained liability insurance or paid sales taxes, the Program should provide technical support to assist the operator. If these efforts fail, the Program should take appropriate enforcement action.

Recommendation No. 4:

The Department of Human Services should ensure the Business Enterprise Program discontinues its practice of paying sales taxes and other expenses on behalf of operators and seeking reimbursement from operators. The Department should work with the Program to revise the operator's agreement to clarify that operators are responsible for obtaining sales tax licenses, liability insurance, and phone service and for the payment of all taxes and expenses related to their business enterprise. The operator's agreement should also specify the grounds for terminating an operator's license, which should include failure to maintain the required licenses and insurance and failure to pay sales and other business taxes. The Program should also transfer the existing sales tax licenses from the State to the responsible operators, follow-up during on-site reviews to ensure operators are making appropriate and timely payments, and take enforcement action as needed.

Department of Human Services Response:

Agree.

Implementation dates: July 2008.

The Business Enterprise Program (Program) will discontinue some program paid operator expenses, while evaluating the feasibility of discontinuing others. The Program is currently in the process of revising the operator's agreement and Program rules and will clarify that operators are responsible for obtaining sales tax licenses and, if feasible and appropriate, phone service and liability insurance. The operator agreement will also clearly state that the State has discontinued the practice of paying operators' expenses. Operators are responsible for the payment of all expenses related to the business enterprise, including sales taxes and, if feasible and appropriate, phone service and liability insurance. The Program trainer has formulated a comprehensive training schedule to retrain blind operators to pay their own sales taxes and for the cost of required business licenses. Upon reviewing insurance underwriting restrictions, should the Program decide it is possible and feasible to require blind operators to pay their own liability insurance, plus state telephone charges, the trainer will provide instruction for blind operators. The Program is also researching the possibility of the State paying for telephone service in state buildings, according to the intent of the Colorado Business Enterprise Program Act.

Vendor Payments

As discussed in the Overview section of this report, the Business Enterprise Program is responsible for establishing and maintaining business enterprises on state and federal properties, including the purchase and maintenance of equipment, procurement of inventory, and management of capital construction projects at business enterprise sites. Each of these functions requires the Program to procure goods and services from private vendors. In Fiscal Year 2007 the Program paid about $1.3 million to private companies for the purchase of goods and services. When purchases occur, State Fiscal Rules require that state agencies pay liabilities "in accordance with contractual or invoice terms" or, in the absence of such terms, "within 45 days after a liability arises." We reviewed the Program's process for approving and processing payments to vendors and found that the Business Enterprise Program is not paying its liabilities timely. Of a sample of 254 invoices paid in Fiscal Year 2007, we found that 102 invoices, or approximately 40 percent, were paid after the invoice due date, or if there was no invoice due date, after the 45-day payment window established by Fiscal Rule. Of the past due invoices, 27 were paid more than 100 days past the invoice date.

The Program is aware of the delays in processing vendor payments and has worked to make some improvements. Recently the Program reassigned the responsibility for initiating and processing payments to an administrative support staff person. This staff person has been trained and is now responsible for tracking invoices, preparing the receiving reports, ensuring the approving signatures are obtained, and transmitting the receiving report and supporting documentation to the Department of Human Services' accounting office for payment. The Program continues to evaluate ways to improve the timeliness of vendor payments.

In addition to improvements identified by the Program, we found that the Program can improve its processes to increase payment efficiency. For example, we found that several of the Program's vendors operating under an approved purchase order submit hundreds of invoices for small amounts each year. The Program could contact these vendors and request that they submit a single weekly or monthly consolidated invoice. Consolidated invoicing would help the Program both track payment deadlines and increase payment efficiency.

Recommendation No. 5:

The Department of Human Services should work with the Business Enterprise Program to improve the timeliness of vendor payments, including working with appropriate vendors to submit consolidated weekly or monthly invoices.

Department of Human Services Response:

Agree. Implementation date: Implemented

The Business Enterprise Program (Program) has taken steps to ensure vendor invoices are paid within the 45-days established in State Fiscal Rules. The Program hired temporary help in August 2007 to accomplish timely vendor payments. The Department will continue to evaluate its FTEs and resources. The Program will work with vendors to consolidate invoices to ensure timelier vendor payments.

Lawful Presence

Since 2003 the General Assembly has passed several laws designed to ensure that only those persons lawfully present in the United States receive public benefits, including receiving or working on public contracts. We reviewed the Department of Human Services' implementation of and compliance with two of these laws that affect the Business Enterprise Program: the Colorado Secure and Verifiable Identity Document Act (Article 72.1 of Title 24 of the Colorado Revised Statutes) and House Bill 06-1343 (Article 17.5 of Title 8 of the Colorado Revised Statutes). As discussed in more detail below, we found that with respect to the Business Enterprise Program, the Department of Human Services has not taken the necessary steps to fully implement the Colorado Secure and Verifiable Identity Document Act and House Bill 06-1343.

Colorado Secure and Verifiable Identity Document Act. The Colorado Secure and Verifiable Identity Document Act (Act) stipulates that a public entity "shall not accept, rely upon, or utilize an identification document to provide services unless it is a secure and verifiable document." The Act defines a secure and verifiable document as:

> . . . a document issued by a state or federal jurisdiction or recognized by the United States Government and that is verifiable by federal or state law enforcement, intelligence, or homeland security agencies. (Section 24-72.1-102 (5), C.R.S.)

We assessed the Department of Human Services' processes for accepting identity documents, as related to the Business Enterprise Program, and found that the Department's procedures do not fully comply with the requirements of the Colorado Secure and Verifiable Identity Document Act. According to federal law and state requirements, an individual seeking entry to the Business Enterprise Program must be a citizen of the United States, 18 years of age, and legally blind. As such, the Department requires applicants to the Business Enterprise Program to execute an affidavit claiming United States citizenship and provide the Department with proof of legal blindness, a birth certificate, and one of the following documents:

- Valid Colorado Driver's License
- Valid Colorado Identification Card
- United States Military Card
- United States Military Dependent's Identification Card
- United States Merchant Mariner Card
- Native American Tribal Document

We reviewed the documents accepted by the Department to prove an individual's identity and found that all documents, except for Native American tribal documents, meet the definition of a secure and verifiable document under the Colorado Secure and Verifiable Identity Document Act.

The Department's current policy is to accept **all** Native American tribal documents. However, we found that not all tribal documents are secure and verifiable as defined under the Colorado Secure and Verifiable Identity Document Act. More specifically, out of over 800 Native American tribes, the United States Government recognized only about 560 tribal entities as of March 2007. Documents issued by tribes other than those recognized by the United States Government are not secure and verifiable documents under the Act. Additionally, representatives from the Colorado Department of Revenue and Colorado Bureau of Investigation report that many tribal documents, including some officially recognized by the United States Government, cannot be verified with the issuing tribe.

It is important to note that House Bill 06S-1023, enacted during the 2006 Special Session, identifies Native American tribal documents as acceptable identity documents. It is possible that the provisions of House Bill 06S-1023 cannot be reconciled with the provisions of the Colorado Secure and Verifiable Identity Document Act. The Department has not sought legal advice to resolve the different requirements of House

Bill 06S-1023 and the Colorado Secure and Verifiable Identity Document Act. The Department should seek a legal opinion to resolve these issues.

Our audit also included a review of identity and eligibility documents for a sample of six Business Enterprise Program operators. Without exception, we were able to locate a completed affidavit of United States Citizenship, copies of birth certificates, and one of the Department required identification documents for each operator. None of the six operators in our sample provided Native American tribal documents to prove identity and lawful presence. The files for the six operators also contained proof of legal blindness.

House Bill 06-1343. House Bill 06-1343 requires that state agencies not enter into or renew a public contract for services with a contractor who knowingly employs or contracts with an illegal alien to perform work under the contract or who knowingly contracts with a subcontractor who knowingly employs or contracts with an illegal alien to perform work under the contract. The bill also requires that contractors "attempt" to participate in the United States Department of Homeland Security's basic pilot program. The basic pilot program provides employers the ability to verify the employment authorization of all newly hired employees by searching the Systematic Alien Verification for Entitlement Program (SAVE) database. SAVE is administered by the United States Department of Homeland Security and can be accessed via the Internet. The database contains selected immigration status on over 60 million records. Database searches are free to employers participating in the basic pilot program. Additionally, prior to executing a public contract for services, each prospective contractor shall certify that at the time of the certification, it does not knowingly employ or contract with an illegal alien and that the contractor has participated or attempted to participate in the basic pilot program to verify that it does not employ any illegal aliens. House Bill 06-1343 also requires that specific provisions detailing the contractor's responsibilities with regard to the bill be included in each public contract for services.

The Business Enterprise Program's standard operator's agreement meets House Bill 06-1343's definition of a public contract for services. We reviewed the Program's operator's agreement and found that it does not include the provisions required by House Bill 06-1343. Additionally, we found that the Program has not required operators executing an operator's agreement after House Bill 06-1343's effective date (August 7, 2006) to certify that they do not hire or subcontract with a company that hires illegal aliens and that they have attempted to enter the basic pilot program to verify the status of their workers.

The Department of Human Services should work with the Business Enterprise Program to revise the standard operator's agreement and include the provisions required by House Bill 06-1343. The Program should ensure all operators sign the new agreement and certify that they do not hire or subcontract with a company that hires illegal aliens and that they have attempted to enter the basic pilot program to verify the status of their workers. The Program should also train operators on the requirements of House Bill 06-1343 and provide assistance to operators attempting to enter the United States Department of Homeland Security's basic pilot program. Additionally, during on-site reviews of operators, the Program should verify that operators are complying with the requirements of the law.

Recommendation No. 6:

The Department of Human Services should work with the Business Enterprise Program to fully implement the provisions of the Colorado Secure and Verifiable Identity Document Act and House Bill 06-1343. This should include:

a. Obtaining legal advice to assist in reconciling the identity documentation requirements set forth in the provisions of House Bill 06S-1023 and the Colorado Secure and Verifiable Identity Document Act and taking appropriate action.

b. Revising the standard operator's agreement and including all provisions required by House Bill 06-1343.

c. Requiring all operators to sign the new operator's agreement and certify that they do not hire or subcontract with a company that hires illegal aliens and that they have attempted to gain access to the United States Department of Homeland Security's basic pilot program to verify the status of their workers.

d. Training operators on the requirements of House Bill 06-1343 and assisting operators attempting to enter the United State Department of Homeland Security's basic pilot program.

e. Verifying during on-site reviews that operators are complying with the requirements of House Bill 06-1343.

Department of Human Services Response:

Agree. The Business Enterprise Program (Program) will comply with recently-enacted immigration laws, including the Colorado Secure and Verifiable Identity Document Act, House Bill 06S-1023, and House Bill 06-1343.

a. Implementation date: October 2007.

The Division of Vocational Rehabilitation will seek advice from the Colorado Department of Human Services' Assistant Attorney General to assist in reconciling the identity document requirements set forth in the provisions of House Bill 06S-1023 and the Colorado Secure and Verifiable Identity Document Act and will then take appropriate action.

b. Implementation date: December 2007.

The Program will incorporate all provisions required by House Bill 06-1343 into the operator's agreement.

c. Implementation date: December 2007.

The Program has rewritten the operator's agreement to include the mandatory signature on a fully-executed document. On September 7, 2007, the Program sent all blind operators the Name Form Alien Contractor Certification Document from the State of Colorado Contract Users Group, which was provided to the Program from the Department's Contracts Administration. The document mandates all blind operators' signature by September 21, 2007.

d. Implementation date: September 2007.

The Program's trainer has written a comprehensive plan to train blind operators on lawful presence and how to comply with House Bill 06-1343. The Plan will be presented at the Program's Annual Meeting on September 29, 2007.

e. Implementation date: Implemented and ongoing.

The Program's evaluation tool for onsite reviews requires business consultants to verify the blind operators' compliance with House Bill 06-1343.

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Appendix A

The following table shows the 46 business enterprises operating on federal and state property in Colorado as of April 2007. The table includes the name, location, and type of establishment for each business enterprise in Colorado.

Colorado Department of Human Services Business Enterprise Program Location of Colorado's Business Enterprises As of April 2007			
Name of Location	**City/Military Base**	**Federal/ State**	**Type**
Air Force Academy Building 49	Air Force Academy	Federal	Cafeteria
Tricare Management Building 47	Aurora	Federal	Snack
Defense Finance Accounting Services	Aurora	Federal	Snack
Cherry Creek State Park	Aurora	State	Vending
David Skaggs Federal Building 22	Boulder	Federal	Cafeteria
National Institute of Standards & Tech	Boulder	Federal	Vending
Aerospace Data Facility 51	Buckley Air Force Base	Federal	Snack
General Mail Facility – Colo. Springs	Colorado Springs	Federal	Vending
El Paso County Judicial Building	Colorado Springs	State	Vending
Byron Rogers Federal Building	Denver	Federal	Cafeteria
Cesar Chavez Federal Building	Denver	Federal	Cafeteria
New Customs House	Denver	Federal	Snack
Alfred A. Arraj U.S. Courthouse	Denver	Federal	Vending
Bulk Mail Facility – Denver	Denver	Federal	Vending
General Mail Facility – Denver	Denver	Federal	Vending
Centennial Building	Denver	State	Cafeteria
State Services Building	Denver	State	Cafeteria
Capitol Annex	Denver	State	Snack
State Capitol	Denver	State	Snack
Fort Logan	Denver	State	Vending
Downtown Denver Vending Route	Denver	State	Vending
Evans Community Hospital	Fort Carson	Federal	Snack
Fort Carson Dining Hall	Fort Carson	Federal	Cafeteria
National Resource Research Center	Fort Collins	Federal	Snack
Fruita Vending Route	Fruita	State	Vending
Department of Health Building 34	Glendale	State	Cafeteria
Golden Gate State Park	Golden	State	Vending
Grand Junction Vending Route	Grand Junction	State	Vending
Denver Federal Center Building 20	Lakewood	Federal	Cafeteria
Denver Federal Center Building 41	Lakewood	Federal	Cafeteria
Denver Federal Center Building 53	Lakewood	Federal	Cafeteria
Denver Federal Center Building 67	Lakewood	Federal	Cafeteria
National Business Center Building 7	Lakewood	Federal	Cafeteria

Colorado Department of Human Services Business Enterprise Program Location of Colorado's Business Enterprises As of April 2007			
Name of Location	**City/Military Base**	**Federal/ State**	**Type**
Denver Federal Center Building 25	Lakewood	Federal	Snack
Denver Federal Center Building 50	Lakewood	Federal	Snack
Chatfield State Park	Littleton	State	Vending
Federal Aviation Administration	Longmont	Federal	Vending
Boyd Lake	Loveland	State	Vending
Centralized Integration Support	Peterson Air Force Base	Federal	Cafeteria
NORAD Building 74	Peterson Air Force Base	Federal	Snack
Northcom Building 65	Peterson Air Force Base	Federal	Snack
Space Command Convenience	Peterson Air Force Base	Federal	Snack
Colorado Mental Health Institute	Pueblo	State	Cafeteria
Ridgway State Park	Ridgway	State	Vending
Schriever Dining Hall	Schriever Air Force Base	Federal	Cafeteria
National Test Facility	Schriever Air Force Base	Federal	Snack
Source: Business Enterprise Program financial records.			

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