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REPORT TO THE SUBCOMMITTEE ON THE HANDICAPPED COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

Review Of Vending Operations On Federally Controlled Property

B-176886

Department of Health, Education, and Welfare

General Services Administration

Department of Defense

Postal Service

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-176886

The Honorable Jennings Randolph
C1 ep Chairman, Subcommittee on the Handicapped
Committee on Labor and Public Welfare S 1106
United States Senate

Dear Mr. Chairman:

This is our report on our review of vending operations on federally controlled property.

Our review was made pursuant to your request of August 9, 1972, and subsequent discussions with your office. As agreed upon with your office, we have not requested the Federal and State agencies involved to provide us written comments on the report.

We plan no further distribution of this report unless you agree or publicly announce its contents.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

C o n t e n t s

ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
RSA	Rehabilitation Services Administration

COMPTROLLER GENERAL'S REPORT TO THE SUBCOMMITTEE ON THE HANDICAPPED COMMITTEE ON LABOR AND PUBLIC WELFARE UNITED STATES SENATE

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DIGEST

WHY THE REVIEW WAS MADE

Pursuant to a Subcommittee resolution, the Chairman, Subcommittee on the Handicapped, Senate Committee on Labor and Public Welfare, requested GAO to review vending operations on federally controlled property.

As agreed with the Subcommittee, GAO obtained operating data on vending operations at federally controlled locations and determined whether blind persons were receiving preference in operating vending stands at such locations as required by law. GAO observed the potential for expanding blind-vendor operations at the locations visited and reviewed State and Federal administration of the blind-vendor program authorized by the Randolph-Sheppard Act.

At the request of the Subcommittee, GAO did not request written comments on the matters discussed in this report from the Federal or State organizations included in its review.

Background

The Randolph-Sheppard Act was enacted in 1936 to give preference to blind persons, whenever feasible, for operating vending stands on federally controlled property.

The Rehabilitation Services Administration, an agency of the Department of Health, Education, and Welfare (HEW), is responsible for administering the blind-vendor program. U.S. agencies determine where and when blind-vendor operations can be established on Federal property they control.

State licensing agencies designated by HEW administer the blind-vendor program on federally controlled property in the 50 States.

Over the last 20 years

--the number of blind-vendor stands on Federal and non-Federal property has increased from 1,543 to 3,229,

--gross sales have risen from $20.6 million to $109.8 million, and

--average annual net earnings have grown from $2,209 to $6,996 for each stand.

In 1972, 3,583 blind persons were in the program; HEW estimated that 7,000 could be in the program by 1980.

Tear Sheet. Upon removal, the report cover date should be noted hereon.

FINDINGS AND CONCLUSIONS

State agency operations

There are marked differences in how the program is carried out from State to State. The quality and quantity of services provided to blind persons participating vary.

Seven State agencies GAO reviewed reported numerous contacts and surveys to locate sites for new or improved vending operations, which resulted in an additional 61 blind-vendor stands established during 1972 on Federal and non-Federal property. The net increase, however, was 27, since 34 blind-vendor stands were closed.

Each of these States trains blind persons selected to become vendors and persons already operating vending stands, but the types and duration of training vary.

In fiscal year 1972, 6 of the States reviewed reported 121 persons had completed operator training; the other State did not maintain such information.

Inconsistencies existed in methods used to determine how income from competing vending operations will be shared with blind vendors, resulting in significant differences in the amounts assigned to the blind. In many instances no income-sharing arrangements were made.

States are allowed to set aside portions of the revenue from vending operations for use in various purposes to support the program. States' policies vary as to

--the method used to determine how much each operator must contribute to the fund,

--how the fund is used to assist operators, and

--whether any fund is established at all.

Some States use the set-aside fund as the primary source of money to operate the blind-vendor program.

HEW has not developed minimum standards of program operation for State agencies. Officials recognize the need for providing program guidelines or standards and for making more evaluations of State agency operations but say these actions cannot be undertaken because HEW lacks people to do the work.

Vending operations at military installations

Vending operations in the Department of Defense (DOD) are extensive, but its regulations support and encourage vending operations that benefit the recreation and welfare of its personnel. This gives little consideration for the blind.

State agencies have often limited their efforts to establish blind-vendor stands at military locations because military officials have not been receptive to the idea.

Of 56 vending stands at 6 installations and the Pentagon, blind vendors operated 4. They had gross receipts of $230,600 and total net income of $38,000. Other vendors had gross sales of $12.6 million and total net income of $2.5 million from the remaining stands and nearly 6,000 vending machines.

Vending operations at military installations are, for the most part, non-appropriated-fund activities which contribute to welfare and morale programs. Military officials said blind vendors could reduce money available for these programs. It was difficult to determine exactly how installations used net vending income.

State agency officials visited some of the military installations with GAO and identified several vending operations which they believed blind vendors could operate. These officials said lack of success at military installations has caused them to reduce their efforts to establish new stands there.

Four of the six military bases visited had no blind-vendor operations. A total of 46 such operations are located on the nearly 490 major military installations in this country.

Military officials must be more willing to grant vending operation permits to the blind, and State agency officials must increase their efforts to contact military officials for new permits if progress in this area on behalf of the blind is to be made.

Vending operations at Postal Service facilities

Blind-vendor stands are operated in some post office lobbies. Most vending operations at postal facilities, however, are located in or near work areas and are controlled by employee welfare associations.

GAO sent questionnaires to 291 postal facilities; 288 reported a total of 68 vending stands operated by the blind and 1 vending stand and 2,873 vending machines controlled by employee associations.

Employee associations had gross receipts of $2.8 million (including commissions on vending machine sales by commercial enterprises) and a net income of $1.6 million.

About $86,800 of the net income was assigned to blind vendors under income-sharing arrangements; the remainder went for employee benefits, such as recreation programs, scholarships, and gifts.

GAO did not obtain financial data for those blind vendors having stands at the 288 locations, but for 10 blind vendors, 6 had net incomes of under $3,000.

A Postal Service internal audit report, dated June 1971, concluded that management attention given to vending operations had not been sufficient to insure compliance with Federal policies and regulations.

Expanding the program will depend on postal officials' attitudes about establishing blind-vendor stands on postal property and assigning income to blind vendors. State agency officials must also be more active in dealing with Postal Service officials on these matters.

Vending operations at other federally controlled buildings

Blind-vendor operations are more prevalent in other federally controlled buildings than at Postal Service or DOD installations.

In the 38 buildings reviewed, blind operators controlled 35 stands and 279 vending machines, and nonblind operators controlled 18 stands and 393 machines. Blind vendors had gross receipts of $2.3 million and a net income of $460,400, while employees' associations and commercial vending concerns had gross receipts of $1.9 million and a net income of $129,100.

Employees' associations used their income for such things as emergency loans to members, parties and picnics, and assisting hospital patients and their families.

However, certain activities compete with the blind-vendor program:

--Cafeteria operators are permitted to operate a vending stand or to receive income from vending machines as an incentive to maintain good cafeteria service.

--Minority business enterprises are placed in competition with a blind-vendor operation or established where a blind-vendor operation might have been placed.

Before the blind-vendor program in federally controlled buildings can be expanded, priorities among competing interests--the blind, minority enterprises, employee associations, and cafeteria operators--must be established.

MATTERS FOR CONSIDERATION BY THE SUBCOMMITTEE

GAO has suggested certain matters that it believes the Subcommittee should consider in its deliberations on the blind-vendor program. (See p. 48.)

CHAPTER 1

INTRODUCTION

On August 9, 1972, the Chairman, Subcommittee on the Handicapped, Senate Committee on Labor and Public Welfare, requested us to review and report on vending operations on federally controlled property. The suggested objectives of this review, which were contained in a Subcommittee resolution, included obtaining financial data such as gross and net receipts for blind and non-blind vendor operations, determining how these receipts were used, and recommending changes to the pertinent law and its administration as deemed appropriate.

The objectives of our review were to

--determine the types of operations on federally controlled property, their locations, and who controls them,

--obtain all available gross and net receipts data from the operations observed and determine how the data was used,

--estimate the potential for expanding blind-vendor operations on federally controlled property,

--review State and Federal administration of the blind-vendor program, authorized by Public Law 74-731, as amended (Randolph-Sheppard Act), and

--determine whether blind persons have been given preference in operating vending stands on federally controlled property as provided for in the law.

LEGISLATION

Assistance to States in rehabilitating handicapped persons to prepare them for gainful employment, including the blind, is provided under the Vocational Rehabilitation Act, as amended (29 U.S.C. 31). Services provided to the blind include the acquisition of vending stands and initial stocks.

In 1936 the Randolph-Sheppard Act (20 U.S.C. 107) was enacted to provide blind persons with remunerative employment, enlarge their economic opportunities, and encourage their self-support through the operation of vending stands on Federal property.

The act authorized operating vending stands on Federal property and stated that preference shall be given, so far as feasible, to blind persons licensed by a State agency. The head of each agency controlling the maintenance, operation, and protection of Federal property must prescribe regulations designed to insure that such preference is given provided that it does not unduly inconvenience agencies or adversely affect the interests of the United States.[1]

The 1954 amendments to the act provided for the assignment of vending machine income to blind persons so that they could achieve and protect their preference if machines competed with blind-vendor operations.

The retention and use of proceeds for vending operations on federally controlled property has been discussed several times over the years. Existing legislation (31 U.S.C. 484) provides that all moneys received from whatever source for the use of the United States shall be paid into the Rreasury, unless disposition of these moneys is specifically provided for in 31 U.S.C. 487. Disposition of proceeds from non-blind-vendor operations is not specifically provided for in that section.

In a report to the Congress, dated August 10, 1949 (B-45101), on our audit responsibilities with regard to employee associations, we stated that problems had been caused by the

--tremendous growth of income and expenditures incident to the activities of various employee recreation and welfare groups,

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[1]The act requires that agency regulations have Presidential approval. This authority was delegated to the Secretary, Department of Health, Education, and Welfare (HEW) in July 1971.

--withholding of such nonappropriated funds from the Treasury, and

--view of many departments that such moneys withheld are outside the purview of existing statute requiring deposit of funds into the Treasury.

Because of the importance of welfare and related activities in the Government service and because literal compliance with the statutes requiring deposit of all receipts into the Treasury was impracticable in some instances, the report recommended the enactment of clarifying legislation to reform and regulate "the entire haphazard structure of so-called 'welfare activities' in the departments and establishments of the Government * * *."

In view of the 1949 report to the Congress the Comptroller General was asked to advise on the practice of a Federal agency using funds received from vending machines for employee activities. A decision the Comptroller General rendered on August 29, 1952 (32 Comptroller General 124), stated that funds derived from vending machines on Government property are required to be deposited in the Treasury as miscellaneous receipts in the absence of express statutory authority to the contrary.

Shortly thereafter the Comptroller General was asked for a ruling on the disposition of proceeds from vending machines at locations having no blind-vendor operations. The request for the ruling pointed out that the profits from the machines were to be used for general welfare activities.

In a December 10, 1952, decision (32 Comp. Gen. 282), the Comptroller General stated that, although the legal authority was doubtful, we would interpose no objection to the continued use of proceeds derived by employee groups from the operation of such machines for employee general welfare activities pending enactment of legislation by the Congress as recommended in the 1949 report.

More recently, our General Counsel testified before the Subcommittee on Handicapped Workers in October 1971 that, since the Congress had not passed clarifying legislation, we have continued to follow the policy of not objecting to authorized Federal employee groups retaining vending machine proceeds. As of August 1973, legislation had not been clarified.

PROGRAM ADMINISTRATION

Each State must prepare a plan describing its vocational rehabilitation program, including services to the blind, which, upon Federal approval, enables it to receive Federal grants. The plan must also designate the State agency or agencies to administer the program.

Under the Randolph-Sheppard Act, the Secretary of HEW designates a State agency to issue licenses to blind persons for operating vending stands. The act requires that this licensing agency be the agency that administers vocational rehabilitation services to the blind. The State licensing agencies also determine the types of stands to be established and their locations, provide licensed blind persons with necessary vending equipment and initial stock, report to the Secretary as required, issue program regulations, and provide a fair hearing for any licensee dissatisfied with a program action.

The Secretary is also responsible for surveying vendor stand opportunities for blind persons and issuing rules and regulations necessary to carry out the act.

The Rehabilitation Services Administration (RSA), an agency of HEW's Social and Rehabilitation Service, is responsible for administering the vocational rehabilitation program, including the blind-vendor program, at the Federal level. The Federal Government pays 80 percent of State program costs.

PROGRAM STATISTICS

In the last 20 years the number of blind-vendor stands on Federal and non-Federal property has increased from 1,543 to 3,229, gross sales have increased from $20.6 million to $109.8 million, and operators' average earnings have increased from $2,209 to $6,996 annually. Additional program data is presented in appendixes I, II, and III.

HEW officials told us that it is difficult to estimate the number of blind persons who are capable of operating a vending stand. They believe, however, that by 1980, about 7,000 blind persons could be in the program.

CHAPTER 2

STATE AGENCY OPERATIONS

The State licensing agency, which administers the vending operations program, has the authority to issue rules and regulations governing the program. These rules and regulations, which must be consistent with the Randolph-Sheppard Act, may contain information on how activities, such as selecting vending sites, conducting training programs, providing management services, or operating set-aside funds[1] are to be carried out.

There are marked differences in how the program is carried out from State to State. Consequently, the quantity and quality of services provided to blind persons vary.

HEW's actions have, for the most part, been directed toward solving problems or approving program changes requested by State agencies rather than developing program guidelines and standards or evaluating State agency activities.

STATE ADMINISTRATIVE AGENCIES

The vending operations program is administered through either a

--licensing agency, which is the State agency designated to administer the program, or

--nominee agency, which is a private agency under contract with the licensing agency, to furnish services for the program.

However, the licensing agency retains full responsibility for managing and operating the program.

Four of the seven States we reviewed used only a State licensing agency. The others used both a nominee agency and a licensing agency. State licensing agencies and nominee

[1]Portions of revenue from vending stand operations that State agencies collect and set aside for various purposes to support the program.

agencies receive funds to operate the vending stand program through Federal vocational rehabilitation grants, State vocational rehabilitation grants, and set-aside funds. There is no requirement that a minimum amount or percentage of the total Federal grant be used for the program or that States provide a minimum amount of their own funds. Appendixes IV and V have specific data on State and nominee agencies regarding staffing and funding.

ACTIONS TO ESTABLISH NEW OR IMPROVED VENDING SITES

The Randolph-Sheppard Act, as amended, requires the Secretary of HEW to make surveys of vendor stand opportunities for blind persons on Federal and other property. HEW has delegated this responsibility to State agencies and provided some financial assistance for this task.

Criteria used by States

Each of the seven State agencies we visited had its own criteria to evaluate the potential of a site for supporting a vending operation. These criteria most often included such factors as

--the amount of income the proposed operation can be expected to produce,

--competition in or near the building,

--availability of water and electrical lines as well as drains in the vicinity,

--cost to modify the space to accommodate the fixtures, and

--employee and daily visitor population.

Inconsistencies exist among State agencies' criteria. For example, of the 4 State agencies which have specific population criteria, 1 State requires a building population of 1,000 to support a dry vending stand,[1] while the other 3 States require only 175 to 300; 2 States have different criteria for wet and dry stands, while the other 2 use the same criteria for both.

Site survey statistics

The 7 State agencies reported to HEW that they had made 370 site surveys during fiscal year 1972. During the same year on Federal and non-Federal property 61 new vending stands were established and 34 were closed--a net gain of 27--in these 7 States. Nationally, 1,496 surveys were reported with a net gain of 87 new vending stands on Federal and non-Federal property. Eleven States showed a net loss, and 11 showed no change in the number of vending stands.

Reasons for not approving locations

Federal and non-Federal personnel gave the following reasons for not approving vending stand locations.

--A location could not support a vending stand operation.

--Agreements between the General Services Administration (GSA) and private cafeteria operators prohibit outside vendors from selling food.

--Commissions from vending machines currently servicing the building are being used to supplement cafeteria operations.

--A vending stand would cause undue congestion and would disrupt the accessibility to the lobby or other areas of the building.

--The population of the building is not large enough to support a vending operation.

--Suitable space is not available.

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[1]A dry stand, unlike a wet stand, does not sell beverages.

Factors affecting States' site survey efforts

Several factors affect State agency efforts to survey potential vending operations.

--States have reduced or eliminated efforts to survey Federal sites, particularly military and postal facilities, because they have had little success. (Nationwide, during fiscal year 1972 Federal property had a net loss of 3 vending stands, and non-Federal property had a net gain of 90 stands as shown in appendix I.)

--States lack uniform criteria for determining when to make a survey and what factors to consider.

--State agency officials must rely on their own initiative and resources to learn where potential vending sites exist or will exist after new construction or renovations are completed.

--States will not make site surveys unless the possibility is very high that a new vending stand will be established.

--Some States place more emphasis on surveying private industry sites.

On the basis of fiscal year 1972 program statistics and our observations, efforts to survey sites for vending operations should be increased if the program is to expand.

SUPERVISORY VISITS

Representatives of licensing or nominee agencies make supervisory visits to vending stands to insure proper operation of the blind-vendor program. As a general rule, representatives visit vending stands at least once each month.

Of the seven States reviewed, only Massachusetts and Texas maintained records of the number of supervisory visits. California, the District of Columbia, and Illinois provided us with estimates; Maryland and Missouri could not estimate the number of visits.

The following table shows the number of actual or estimated supervisory visits representatives made in five States during fiscal year 1972.

State	Number of visits	Number of vending stands (Federal and non-Federal)	Average number of visits per location yearly
California	10,656 (estimate)	296	36.0
District of Columbia	1,108 (estimate)	75	14.8
Illinois	1,500 (estimate)	87	17.2
Massachusetts	680	40	17.0
Texas	3,997	160	24.9

During these visits, representatives may evaluate the operator on such matters as

--cleanliness and overall appearance of the stand,

--personal appearance of both manager and employees,

--management efficiency, such as payment of bills, effective purchase and control of merchandise, sales techniques, and completeness of weekly or monthly reports, and

--public relations, i.e., attitude and relationship with customers and employees.

Although it appears that representatives made a substantial number of supervisory visits in five States, they lacked satisfactory documentation supporting exactly how many visits had been made. None of the States could provide documentation showing what had been accomplished during these visits.

In addition to supervisory visits, blind-vendor operations in three States were also subjected to financial reviews by State auditors or certified public accountants which covered the period from fiscal year 1970 through 1972. The reviews did not include examinations of program operations.

SELECTING AND TRAINING OPERATORS

State licensing agencies are responsible for providing services, including preliminary training, to persons eligible as operators of vending stands. However, formal training of operators, such as classroom sessions and on-the-job training, is under the direction of the State licensing agency or the nominee agency.

Referral and selection of prospective operators

Rehabilitation counselors or specialists recommend blind persons for the vending program on the basis of their being able to meet the entrance criteria and their interest in operating a vending stand.

Part of the criteria for entering the training program is that the applicant must be at least 21 years of age, a citizen of the United States, and be blind, as defined in the Code of Federal Regulations (45 CFR 409.1(p)) pursuant to the Randolph-Sheppard Act.

An applicant is also subject to an evaluation of his psychological, emotional, socioeconomic, and vocational histories.

When an applicant has met the required criteria he goes through a final screening process, which determines whether he will be accepted into the program. The process may include a personal interview with an official of the State vocational rehabilitation agency or the licensing agency (as in Maryland and the District) or an evaluation by a screening committee (as in Illinois). Formal training for applicants starts after acceptance into the program.

Training

The three basic types of training provided by States in our review are

--preliminary or provisional on-the-job training,

--formal training, including classroom study and on-the-job training, and

--in-service training.

Of the seven States, only Massachusetts and Texas provide preliminary or provisional on-the-job training designed to familiarize the applicant with work situations. The applicant is assigned to a vending stand under the supervision and guidance of a licensed operator. At the end of the period, the applicant is evaluated and the State agency personnel determine whether the applicant is qualified to proceed to formal training.

Formal training is provided by all States and consists of classroom and on-the-job training.

Some of the important areas covered in classroom training are

--bookkeeping and accounting skills necessary for operating an enterprise;

--merchandising, purchasing, and display;

--customer relations;

--food preparation;

--markup of merchandise and percentage of gross profit; and

--sanitation and legal aspects of food handling.

The District, Maryland, and Massachusetts do not provide classroom training. Training consists primarily of on-the-job experience.

During on-the-job training, applicants are judged through stand operators' progress and evaluation reports and through licensing or nominee agency supervisors' observations. After on-the-job training, successful trainees are licensed (certified by the licensing agency to operate a vending stand) and assigned to a vending stand, if available.

If an applicant is not successful, he can be given additional training or withdraw from the program.

. Only two of the seven States, Illinois and Maryland, provide for periodic in-service training for licensed operators. These training activities may include workshops, seminars, or conferences, tailored to improve and develop operators' management skills and to exchange views and ideas on ways to improve the program.

Number of persons trained and placed

During fiscal year 1972, 121 persons completed operator training in 6 of the States we reviewed; 58 persons had completed or had substantially completed their training and were waiting for a vacancy or needed some additional experience before placement.

INCOME-SHARING ARRANGEMENTS WITH FEDERAL EMPLOYEE GROUPS

Section 101-19.206 of the Federal Property Management Regulations states that employee welfare and recreation groups and blind vendors can share operations and income from vending machines. The regulations provide that the Regional Administrator of GSA and the Commissioner of RSA must agree upon the conditions for sharing after consulting with the sponsoring Federal agency. These regulations apply to all property owned, leased, or occupied by the Federal Government over which GSA has control.

Federal agency regulations provide that a portion of the income from vending machines, which are located within reasonable proximity to and which are in direct competition with a licensed vending stand, be assigned to a blind operator. Regulations of several of the agencies state that a vending machine shall be considered in reasonable proximity and in direct competition with a vending stand if the machine contains the same articles as the stand and is located so that it attracts customers who would otherwise patronize the stand.

Federal agencies have not applied these regulations adequately, and their practices have not been uniform. For the most part, licensing or nominee agencies do not have written policies regarding how income is to be shared between blind persons and other competing groups. Arrangements for assigning income were negotiated on a case-by-case basis and were either verbal or written.

We found that the percentage of competing operations income which blind vendors operating in Federal facilities received varied from State to State. For example, in some buildings in the District, Texas, and Maryland, blind vendors were receiving 100 percent of the profit from some machines and profit from the remainder of the machines went to various employee associations or, in the case of the District, to the Government Services, Incorporated.

In other locations in Maryland and Texas and in some locations in California, blind vendors were sharing vending machine commissions on a percentage basis. They received from 10 to 65 percent of the gross income from competing vending operations. In other instances blind vendors did not share any of the profit from competing operations, even though State agency officials had attempted to arrange it.

At four Federal complexes in Missouri, blind vendors were sharing from 25 to 50 percent of their vending machine profits with employee associations--about $25,000 of the total $78,000 profits in 1972. In two Illinois locations, blind vendors were paying 8 to 10 percent of net sales to employee associations.

Assignment of vending machine income was also inconsistent at postal facilities (See pp. 33 and 34.)

SET-ASIDE FUNDS

States' methods to set aside funds for use in operating the blind-vendor program vary as to how much each operator must contribute to the fund and how funds are to be used to assist blind vendors. Some States do not set aside funds.

The Randolph-Sheppard Act specifies that States may set aside funds from vending stand proceeds to maintain and replace equipment, purchase equipment, provide management services, and insure a fair minimum return to operators.

Fourteen States, Guam, Puerto Rico, and the Virgin Islands, do not set aside funds for operating their vending stand programs under the Randolph-Sheppard Act. Of the seven States included in our review, only Massachusetts does not set aside funds.

Reasons for not using set-aside funds

Massachusetts officials informed us that they do not set aside funds because, in their opinion, it would

--reduce the incentive of some operators because they would know that they would be guaranteed a fair minimum return from the fund,

--invite operators to report less than actual gross revenues so that they would pay less into the fund,

--make it necessary for the Commission for the Blind to employ a large staff of police-oriented counselors, and

--reduce the extent of proper care of operators' equipment because they would not have to pay to repair or replace it.

Although Massachusetts does not set aside funds, the State Commission recommends that a reserve fund be established for each stand on the basis of the type and complexity of the equipment used. The operator agrees to use this fund only for emergency repairs and for replacing minor equipment and to make weekly deposits of not less than 3 percent of his gross sales until the stipulated amount is reached.

States that use set-aside funds

States that set aside funds require operators to contribute monthly to a set-aside-fund account. The amount to be set aside varies from State to State. However, most States set aside a percentage of either gross sales or net profit. For example:

--In Missouri, 10 percent of net profit must be deposited into the fund.

--In Maryland, funds are set aside by an administrative levy on gross sales according to the following formula: First $1,000, no levy; $1,001 to $4,000, 8 percent of gross sales; $4,001 to $6,000, 9 percent; and above $6,000, 10 percent.

--In California, the current fee schedule ranges from $1 for monthly gross sales of less than $1,000, to 5.8 percent of gross sales of $8,500 or more.

--In the District, funds are set aside monthly on the basis of gross sales plus vending machine income, according to the following formula: First $400, no levy; second $400, 6 percent; third $400, 8 percent; everything over $1,200, 9.5 percent.

Use of set-aside funds

In the six States we found that funds were used for maintaining, replacing, or purchasing new equipment; providing management services; and guaranteeing a fair minimum return to blind operators. Only three of these States--the District, Illinois, and Missouri--guarantee a fair minimum return to operators: $95 a week in Illinois, $400 a month in the District, and $300 a month in Missouri.

RSA officials told us that set-aside funds should be used to make payments into a pension fund for blind vendors. Set-aside funds cannot be used for this purpose because the Randolph-Sheppard Act does not authorize it.

Because a great share of the blind-vendor program is funded by blind vendors' payments into set-aside funds (see app. V) it would seem that set-aside funds should be used for any reasonable purpose that would benefit blind vendors.

HEW ACTIONS TO GUIDE AND MONITOR STATE AGENCY ACTIVITIES

According to HEW, although it recognizes the need for providing program guidelines or standards and for making more evaluations of State agency actions, it lacks manpower to do so.

HEW resources spent for the program

RSA does not maintain separate records on the money or manpower used to administer the blind-vendor program. However, RSA officials estimated that less than 2 man-years of professional staff time was spent on administering the program in the headquarters office during fiscal year 1972 at a cost of $45,000 to $50,000. No significant increases in money or staff are expected any time soon. Officials could not estimate regional office efforts but believed they were minimal.

Services provided by HEW

Two types of services have been provided to State agencies: (1) solving problems, such as interpreting policy questions or negotiating with Federal agencies when State agencies needed assistance, and (2) approving changes to State plans, rules and regulations, and set-aside fund computation schedules.

Other services provided to a lesser extent included preparing training seminars for State agency personnel, compiling program statistics, and reviewing State agency operations.

Necessary program actions by RSA

RSA officials stated a need to

--establish minimum training requirements and to work more with States which have weak training programs,

--instruct States on which factors they should consider in evaluating the potential of a site as a future location for a vending operation,

--make more management or program reviews of State agency operations and follow up on actions in response to recommendations which detail the results of the reviews, and

--require and review additional reports from the States, which would provide information on such matters as program personnel, Federal expenditures, training costs, assignment of vending machine income, and the number of blind assistant operators or employees.

RSA officials said they had not accomplished these tasks because they lacked manpower. They considered the level of effort of the headquarters staff--less than 2 man-years--and the minimal regional office assistance inadequate to accomplish necessary actions. Also, no contracts have been awarded to undertake work which these officials stated could benefit the program.

We did not attempt to make a manpower study or assess the priority of all tasks to be done. It is apparent, however, that several major management actions which could assist in improving program administration have not been undertaken.

CHAPTER 3

VENDING OPERATIONS AT MILITARY INSTALLATIONS

Vending operations on property controlled by the Department of Defense (DOD) are extensive. However, blind-vendor operations are limited at some locations, and other locations have none at all. This has occurred because DOD implements regulations in a way which supports and encourages vending operations that benefit the recreation and welfare of military and civilian personnel and gives little consideration for the blind. Also, according to State agency officials, efforts to establish blind-vendor stands at military locations have often been limited because military officials have not been receptive to the idea.

We reviewed vending operations at six major military installations and at the Pentagon,[1] as summarized below.

Location	Controlled by blind persons		Controlled by others	
	Stands	Machines	Stands	Machines
Fort Belvoir, Va.	-	-	6	1,041
Norfolk Naval Shipyard, Va.	1	-	12	356
Charleston Naval Base, S.C.	1	-	-	361
Fort Riley, Kan.	-	-	-	739
Lackland Air Force Base, Tex.	-	-	17	1,912
Camp Pendleton, Calif.	-	-	11	1,387
Pentagon	2	-	6	188
Total	4	-	52	5,984

1 Although the Pentagon is actually a GSA building, we discuss its vending operations in this chapter because DOD plays a significant role in determining what operations are permitted in the Pentagon. Although the 7 installations visited represented a small percentage of the nearly 490 military installations in the country, they were important in terms of size and number of servicemen involved. Also, each branch of service was represented and the installations were geographically dispersed.

With the exception of the Pentagon, which houses 24,000 employees, each location had numerous buildings spread over a large area with no fewer than 14,500 military and civilian personnel.

DOD REGULATIONS AND POLICIES

DOD regulations, while conforming to the requirements of the Randolph-Sheppard Act, emphasize the need for and importance of an adequate morale and welfare program which is not to be jeopardized by blind-vendor operations. Implementation of these regulations has severely limited the blind-vendor program on DOD property.

DOD has traditionally used nonappropriated fund operations, such as post exchanges, movie theaters, and restaurants to foster the morale and welfare of its personnel. Revenue from these activities is to be used to supplement appropriated funds for this purpose.

DOD regulations, dated August 1963, state that a blind person licensed by a State agency will be given preference to operate a vending stand where feasible. A local commanding officer may deny or revoke this preference if security or sanitary standards are not met or for any other reasons where the interests of the United States would be adversely affected or DOD would be unduly inconvenienced.

The regulations provide further that permission to operate a blind-vendor stand will not be granted:

> "* * * if to do so would seriously affect the primary mission of the Department of Defense by reducing revenue below the point which is necessary for the maintenance of a reasonably adequate morale and welfare program. * * * No permits should be granted that will place the morale and welfare program in jeopardy."

According to DOD regulations, preference to blind vendors is protected from unfair or unreasonable competition by vending machines. The regulations provide that a blind vendor is to acquire the income from these machines, if they are operated in reasonable proximity to a blind-vendor stand and if they sell the same items.

A final, important provision of the DOD regulations is that if a local commander and the State agency cannot agree on granting a permit to operate a blind-vendor stand or on the terms of a permit, the State agency can appeal such disagreements. DOD administers this appeal procedure.

The Army, Navy, and Air Force have regulations which essentially repeat the provisions of the DOD regulations regarding blind-vendor stands. However, in implementing these regulations, DOD officials have limited the blind-vendor program. In fiscal year 1972, 46 of 878 blind-vendor stands on federally controlled property were on DOD property.

FINANCIAL RESULTS

According to the most recent financial data available, annual gross sales from vending operations at the seven locations visited were over $12.8 million. Of this amount, blind vendors' gross receipts were about $230,600, while various nonappropriated fund organizations and commercial vending concerns had gross sales of $9.3 million and $3.3 million, respectively. In addition, the nonappropriated fund organizations earned $900,000 in commissions from vending machines to bring their total gross receipts to $10.2 million. (See appendix VI.)

The total net income blind vendors earned from four operations at three military installations was $38,000. (This represents all blind-vendor operations at the seven installations.) The net income of the various nonappropriated fund organizations from vending operations at these seven locations totaled about $2.5 million. Generally, commercial concerns could not furnish us net income data from their operations at the locations we reviewed because their accounting records were not organized to show this data.

Blind vendors received income from 4 vending stands and no vending machines, while nonblind operators received income from 52 vending stands and 5,984 vending machines.

The four blind vendors, who had a total annual net income of $38,000, had individual incomes ranging from $4,000 to $16,000. These vendors received no income from operating vending machines or through assignment of income from competing machines or other vending operations.

Non-blind-vendor income

Various nonappropriated fund organizations shared the annual net income of $2.5 million for nonblind operators. At one installation the annual net income from vending machines was $4,500; at the remaining installations, annual net incomes ranged from $156,000 to $792,000.

Because of the type of financial records maintained, we could not obtain net income data on each individual vending operation but only for all vending operations at an installation. We were able, however, to obtain individual gross receipts data for most of the operations.

The 52 vending stands operated by nonblind organizations had total gross receipts of $5.5 million and total net income of $636,800. For all vending machine operations, gross receipts totaled $4.8 million, including commissions of $900,000 on vending machine sales by commercial enterprises, and the net income was $1.8 million. However, a disadvantage is that machines are often located over a large area on a military installation, both inside and outside of numerous buildings, which makes servicing them difficult. In several cases, machines were grouped in a building, which made them easier to service.

In nine cases at three of the locations reviewed, we were able to obtain data which showed that gross receipts from vending machines grouped in a building ranged from $27,000 to $86,000. Since total vending machine results showed that net income exceeded 30 percent of gross receipts, all of the locations where machines were grouped in a building appear to have the potential to financially support one or more blind persons.

Use of income by nonblind vendors

The majority of nonblind vendors are the post exchange systems of the various services--the Army and Air Force Exchange Service, the Navy Exchange, the Marine Corps Exchange--the Special Services, post central welfare funds, employee cooperative associations, post restaurants, and open messes. These organizations, for the most part, operate on nonappropriated funds and must abide by DOD regulations.

Determining how these organizations used net income was difficult, since the money passes through several administrative organizations until it reaches the organization which provides direct services. The following examples will demonstrate the complexity of following funds to determine their use.

All net income from three installations' Post Exchange operations included in our review is forwarded to the Army and Air Force Exchange Service Headquarters in Dallas, Texas. The Exchange Service uses some of these funds to finance its operations.

Dividends declared by the Exchange Service are paid to the Army and Air Force Central Welfare Board in the District, where they are apportioned to the two services' central welfare funds. Central welfare funds then allocate funds to commands, which in turn allocate funds to camps, posts, and stations to provide recreational activities and equipment. Sizable amounts are retained at the central welfare fund levels to finance major projects, such as construction of facilities to house nonappropriated fund activities at military installations.

The Marine Corps and Navy also have central organizations that receive and retain a portion of net receipts from installations. For example, for the fiscal year ended January 1973, the Post Exchange at a major installation earned a net profit of $1,824,000 from all operations, including vending operations. The net profit was distributed as follows:

Installation recreation fund	$ 900,000
Central construction fund	880,000
Retained by the Exchange for various purposes	44,000
	$1,824,000

The Navy Exchange divides its net receipts between local and national morale and welfare programs. One naval installation shares 60 percent of net receipts (on the basis of sales) among three components--the Naval Station, the Naval Hospital, and the Naval Weapons Station. The Commanders of these activities are responsible for using these funds in addition to appropriated funds to provide morale and welfare programs. The remaining 40 percent of the net receipts are forwarded to a pool of funds controlled by the Chief of Naval Personnel for morale and welfare programs throughout the Navy.

MILITARY AND STATE AGENCY OFFICIALS' VIEWS ON BLIND-VENDOR OPERATIONS

Military and State agency officials expressed opposing views regarding the feasibility of blind persons operating vending stands at military installations.

Military officials' views

At a location which had one blind-vendor stand, officials did not foresee program expansion because they believed more blind-vendor stands would jeopardize cafeteria operations run by a commercial concern or that the stands could not compete with other operations, such as cafeterias and mess clubs.

Officials at another base informed us that a blind vendor could encounter several problems operating there, including theft, regulated prices, sanitation requirements, competition from other operations, and rising labor costs. Officials at this base and at one other said the Army and Air Force Exchange Service regulations have no provision specifically considering the blind in selecting contractors to carry out operations.

Military officials also expressed the following concerns.

- --Exchange Service operations are exempt from certain State taxes whereas blind vendors would not be exempt and would have to charge higher prices.
- --Blind vendors would need to be supervised carefully.
- --Expanding the blind-vendor program could possibly reduce the funds available for the morale and welfare programs which are earned from various enterprises, including vending operations.

Although military officials acknowledged that DOD regulations require that preference be given to the blind to operate vending stands, they did not express any support for the program.

State officials' views

We asked officials of the State agencies for the blind for their views on establishing or expanding the blind-vendor program on the military installations we visited.

An official of one State agency toured a military base with us and later concluded that five snack-bar type operations appeared feasible for operation by blind vendors. This base had no blind-vendor operations. Base officials told us that they would consider any applications from blind persons to operate a vending stand.

At another base having no blind-vendor operations, a State official said a blind person could probably control one group of vending machines. Base officials were not sure whether a blind person could handle the operation.

At another base, a State agency official said blind persons could operate 11 vending operations. Base officials gave several reasons why blind-vendor stands would not benefit the base, the main concern being a loss of revenue to the recreation fund.

Several State officials told us they have not made much of an effort to establish blind-vendor stands on military bases because of the lack of success experienced in the past and the higher rate of success in establishing stands in private industry.

POTENTIAL FOR INCREASING BLIND-VENDOR OPERATIONS

Four of the major military bases we visited had no blind-vendor operations. State agency officials believed that blind persons could possibly operate several of the existing vending operations at three of these bases. We have been advised recently that arrangements are being made to establish a blind-vendor operation at the fourth base.

To expand the blind-vendor program on military bases, military officials must be willing to grant more permits for blind-vendor operations and State agency officials must try harder to contact military officials for these permits.

CHAPTER 4

VENDING OPERATIONS AT POSTAL SERVICE FACILITIES

Although blind vendors operate stands in some post office lobbies, most vending operations at postal facilities are located in or near work areas and are controlled by employee welfare associations. As a result, opportunities for blind-vendor operations generally have been limited to that part of the postal facility accessible to the public. In addition, postal officials have interpreted Postal Service regulations in a manner that has not been advantageous to the blind, and regulations on assigning vending machine income to blind vendors have not been applied consistently.

We attempted to obtain data through questionnaires on vending operations at 291 major facilities, of which 285 are first-class post offices, located in 3 of the 5 postal regions--the New York Metropolitan Region, the Central Region (Chicago), and the Western Region (San Francisco). We visited nine of these locations. Our sample was selected primarily on the basis of postal revenues reported by over 5,100 major facilities.

Over 98 percent of the facilities responded to our questionnaires. Responses showed that employee associations were controlling 1 vending stand and 2,873 vending machines, plus an undetermined number of machines not listed on the questionnaires. Blind vendors were operating 68 vending stands at these locations. They represent 29 percent of the 237 blind vendors who operated at postal facilities during fiscal year 1972. Although blind persons were operating many more vending stands than employee welfare associations, the associations were controlling nearly all the vending machines at each postal facility that were not part of a vending stand.

REGULATIONS AND POLICIES

Postal Service regulations specify that blind persons are to be given preference in installing and operating vending stands on Postal Service property.

Local and regional Postal Service officials must approve a permit to operate a blind-vendor stand. Appeals by State agencies, when permits are not approved or when there is disagreement over permit terms, are directed to other Postal Service officials for a final decision.

A provision of the Postal Service regulations describes how income from vending machines, which compete with blind-vendor stands, may be assigned to the blind vendor. The regulations provide that:

> "Profits from all vending machines presently operated by a licensed blind operator of a <u>lobby stand</u>, either in conjunction with his stand or in other areas of the same building under control of the Post Office Department,[1] shall be assigned to the blind operator. When machines are being operated by an employees' committee in proximity to a stand or machines operated by a blind person and are in competition therewith, and a blind operator is not receiving an adequate income, <u>consideration shall be given to assigning him all or part of the profits from other vending machines in the same building, regardless of location</u>. (Adequate income is construed as being the equivalent of the average income of the average employee at the installation.) Reassignment of profits shall be considered only upon request from a State licensing agency to a postmaster or other postal official in charge of an installation. Assignment of profits to the blind operator from other vending machines shall be determined by the postal official in charge and the State licensing agency on the basis of the following:
>
> a. Proximity to and competition with the vending stand;
>
> b. Income which accrues to the operator from the stand operation; and
>
> c. Profits from vending machines not operated in connection with the stand." (Underscoring supplied.)

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[1] These regulations were written before the Post Office Department was reorganized into the U.S. Postal Service. They have been adopted in the Postal Service Manual.

Postal Service officials gave us various interpretations of some of the provisions in the regulations. Some officials said that blind-vendor stands could be approved only for public areas of the post offices because of the potential danger to blind persons in work areas and employee resistance to any reduction in their associations' vending income. One regional Postal Service official, who supported this interpretation, acknowledged several blind vendors operating stands in post office work areas in his region, but said that this had occurred before the Postal Service was created.

Assigning vending machine income to blind vendors is not done consistently because of varying interpretations of the regulations. The methods of assigning vending machine income to blind vendors varied. Methods used included (1) a fixed monthly or annual payment, (2) all receipts from certain vending machines, (3) a fixed percentage of all vending machine receipts, and (4) an income supplement sufficient to raise blind vendors' incomes to the equivalent average income of the employees at the installation. Inconsistency was demonstrated in the Central Postal Region where operators of 38 blind-vendor stands were experiencing the following:

No income assigned to blind	21
Income assigned to blind:	
Payment by vending company	7
Payment by employee welfare fund:	
Specified percentage of gross receipts	4
Equivalent to average income of postal employees	3
Fixed amount	3
Total	38

In some cases blind vendors who had low net incomes were not assigned income or were assigned a nominal amount, whereas some vendors earning over $10,000 were assigned income. In one region for example, one blind vendor with a net income of $1,200 was assigned only $45 from vending machine income. On the other hand, a blind vendor with a net income of $11,200 from his own operation also received assigned vending machine income of $10,100 making his total income $21,300.

FINANCIAL RESULTS

Employee welfare associations had annual gross receipts of $2.8 million from vending operations at locations which responded to our questionnaires. Because our questionnaires to Postal Service officials did not request income data for blind vendors and because some commercial vending companies would not furnish us income data, we were not able to compute total gross receipts or net income earned from vending operations.

Non-blind-vendor income and its use

Of the $2.8 million in gross receipts (including commissions on vending machines sales by commercial enterprises), employee welfare associations earned a net income of about $1.6 million.[1] (See app. VII.) We asked, in our questionnaire, that each respondent indicate whether it had earned net income of $3,600 or more. Of the 288 associations responding, 68 reported net incomes of $3,600 or more, including 37 locations having no blind-vendor operations. Thirty-one associations had net incomes of over $10,000 and two associations reported net incomes exceeding $100,000 from vending operations.

Two important factors must be considered in discussing the gross and net incomes from vending operations controlled by employee associations. First, in the locations where commercial vending companies were servicing vending machines under a contract with the employee associations, we were able to obtain data on commissions paid to the associations but not on total sales. Therefore, the total gross receipts amount of $2.8 million does not represent total sales but commissions received from vending companies plus gross sales from vending operations controlled by employee associations. Actual total sales, therefore, would exceed the total gross receipts of $2.8 million reported.

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[1] We tested the financial data on three employee association funds and found their reported amounts to be substantially accurate.

Second, many employee associations control vending operations at more than one location. So while an association may report substantial total net income, the net income from each location may not be substantial. Information received from employee associations was generally for total operations, therefore, we were unable to determine results of vending operations at each location, which would be needed to assess the profit potential of each operation controlled by employee associations.

The net income of $1.6 million earned by postal employee associations was used for various purposes. The following table illustrates the major uses of funds during fiscal year 1972.

Use of funds	New York Metro Region	Central Region	Western Region	Total
Assigned to blind vendors	$ 43,800	$ 37,455	$ 5,546	$ 86,801
Recreation and trophy costs	193,301	182,326	271,277	646,904
Retirement or separation parties and gifts	50,620	81,818	74,060	206,498
Radio and public address system costs	32,520	27,444	12,725	72,689
Birth, wedding, and death remembrances	21,050	33,187	13,673	67,910
Other (note a)	93,391	351,044	153,537	597,972
	$434,682	$713,274	$530,818	$1,678,774

[a] Includes expenditures for miscellaneous items, such as gift certificates, coffee, turkeys, and scholarships.

Many employee associations spent more money than they earned during fiscal year 1972. This was made possible by using money available from previous years' earnings.

Blind-vendor income

We did not obtain income data for all of the 68 blind-vendor operations at the postal facilities sampled because we did not visit each operation, and our questionnaires to Postal Service officials requested data only on vending machine income assigned to blind vendors. The limited financial data obtained gave us some indication as to how some blind vendors were faring economically.

In one region seven blind vendors had total gross sales of $823,000 and total net income of $44,700, including assigned income. Four vendors had net incomes of less than $3,000 while one vendor had a net income of over $23,000. In another region, two blind vendors had earned less than $3,000--one had assigned income, the other did not--and a third blind vendor had earned $11,200 excluding assigned income. While 6 of the 10 vendors in these 2 regions had low net incomes, we cannot determine whether this data is representative of all of the 237 blind vendors who operated stands at postal facilities in fiscal year 1972.

As discussed previously, income was assigned to 38 of the 68 blind vendors operating in the facilities we reviewed. Responses to our questionnaires from postal facilities where blind vendors were operating stands showed that a total income of $105,000 had been assigned to 33 of the 38 blind vendors. The amount of income assigned ranged from $180 to $14,000 annually. As mentioned previously the amount of income assigned to a blind vendor is not always determined by the net income which he earns from his own operations.

INTERNAL AUDIT

The Internal Audit Division of the Postal Service issued a report in June 1971 concerning welfare committee and cafeteria operations at various post offices. Although the report was primarily concerned with weaknesses in fund control, it also discussed weaknesses in administering blind-vendor operations and recommended changes to Postal Service policies which would benefit blind vendors. However, proposed revisions to these policies, which are under the Postal Service's consideration, do not include those recommended by the Internal Audit Division.

The report concluded that there is no uniform system for sharing welfare fund revenues with blind vendors. It stated that, at some locations blind vendors received no revenues from the welfare funds, while at other locations they received arbitrary allocations of revenues. Also, there had been virtually no review or evaluation of blind operators' incomes to determine the adequacy of allocations. The two major factors reported as contributing to the breakdown in administering the blind operations were

--lack of local management attention to insure that policy and regulations are complied with and

--State agencies' reluctance to confer with postmasters or provide them with information on blind vendors' earnings.

The report concluded that one result of these deficiencies was that two blind operators from the Western Postal Region have incomes that are substantially higher than postal employees' earnings at the same locations, while at other locations, blind operators have insufficient incomes. The report recommended that:

--The Regional Postmasters General instruct those postmasters with blind vendors to annually confer with State agencies in setting incomes for the blind; any problem areas should be resolved by the regions.

--The Personnel Department consider revising the current procedures for planning blind-vendor stands in new facilities; the Postal Service should take the initiative to advise State agencies of any location appropriate for a blind-vendor stand.

A Postal Service official informed us that final action had not been taken on these recommendations. The Postal Service is currently preparing instructions for food-service operations and employee social and recreation committees. However, procedures concerning blind-vendor stands have not been significantly modified. The Postal Service official, knowledgeable of pending regulations, told us that blind-vendor stands will be confined to public areas and restricted from work areas in the future. In addition, the average postal salary, with which vendors' incomes will be compared, will still not be defined by Postal Service regulations. Therefore, any supplemental payments to blind operators will be negotiated between postmasters and State agencies. Further, there will be no provision for the Postal Service to take the initiative to contact State agencies.

POTENTIAL FOR INCREASING BLIND-VENDOR OPERATIONS

Expanding the blind-vendor program in postal facilities will depend to a large degree on Postal Service officials' attitudes on

--allowing additional vending operations for the blind to be established on postal property and

--revising Postal Service regulations to clarify how the assignment of income to blind vendors should be determined.

Also, State agency officials must be more active in dealing with Postal Service officials on these matters. State officials cited a low success factor as the primary reason for their limited effort in attempting to establish additional blind-vendor operations at postal facilities.

CHAPTER 5

VENDING OPERATIONS IN OTHER

FEDERALLY CONTROLLED BUILDINGS

Blind-vendor operations are more prevalent in other federally controlled buildings than at Postal Service or DOD installations but there are activities which compete with the blind in the vending stand program. In some cases, the same organization operating a cafeteria is operating a vending stand or is receiving income from vending machines as an incentive to maintain good cafeteria service. Another problem which came to our attention was that in some cases minority business enterprises have been competing with blind-vendor operations or have been placed where blind-vendor operations could have been established.

We attempted to locate and review all vending operations in 38 of more than 2,600 buildings owned or totally leased by GSA, the District government, or such agencies as the National Institutes of Health. The 38 buildings are in 6 cities located across the country and in the Washington metropolitan area. The following table summarized the operations reviewed.

	Number of buildings	Controlled by blind persons		Controlled by others	
		Stands	Machines	Stands	Machines
GSA:					
Owned	15	23	227	15	145
Leased	4	3	30	-	98
NIH:					
Owned	6	5	-	-	104
District government:					
Owned	5	4	22	3	37
Leased	8	-	-	-	9
	38	35	279	18	393

Additional details on each building are in appendix VIII.

FINANCIAL RESULTS

During fiscal year 1972, the gross income from all vending operations located in 35 of the 38 buildings included in our review totaled about $4.2 million. Of this amount, blind vendors grossed about $2.3 million and employee associations and commercial vending concerns together grossed $1.9 million.

The total net income from these vending operations was $589,500, of which 44 blind vendors earned $460,400 from operations in 22 buildings and 5 employee associations and 3 commercial vending concerns earned $129,100 from operations in 29 buildings.

Blind-vendor income

The 44 blind vendors who shared the total net profit of $460,400 had individual annual incomes ranging from $1,776 to $30,000. Fifteen vendors earned less than $7,000, four of which earned less than $3,000. None of the blind vendors who operated 19 stands in proximity to vending machines operated by others were receiving a share of the income from the machines. Instead, employee associations or commercial vending concerns received the income despite the provision of the Randolph-Sheppard Act.

Assignment of income would be desirable in some cases. For example in one case we observed, a blind vendor competing with a nearby snack bar operated by a commercial concern was not assigned any income from the vending machines associated with the snack bar, which grossed $73,400 in 1972, even though his annual net income was about $2,000 and had to be supplemented by the State agency.

Non-blind-vendor income

Of the $129,100 net earnings which employee associations and commercial vending concerns had, five employee associations earned $15,100. Only one association operated vending stands.

During fiscal year 1972 a net loss of $19,500 was recorded from the operation of six vending stands, despite sales of about $1.2 million. Net income from vending machines, however, was about $34,700, of which $28,000 was earned from two locations having net earnings exceeding $11,600.

Three commercial concerns had net earnings of $114,000. One concern netted over $74,000 from vending stands located in seven buildings; the other two concerns did not operate vending stands. The $40,000 earned from vending machines went primarily to one concern which earned $31,300 from machines in seven locations. The remaining concerns earned $6,100 and $2,600, respectively.

Use of income by nonblind vendors

The net earnings retained by employee associations are used to support a variety of activities to benefit their members and other persons needing assistance. For example, some associations use their funds for emergency, interest-free loans to their members; annual picnics or Christmas parties; and athletic activities. Two employee associations with vending operations in hospitals use a portion of their earnings to assist patients and visiting families.

ACTIVITIES COMPETING WITH BLIND-VENDOR OPERATIONS

Although the blind-vendor program operates under generally favorable circumstances in Federal complexes, some activities compete with the blind for vending operations at federally controlled locations.

Cafeteria operators favored

GSA often authorizes operation of a vending stand or assigns cafeteria operators the right to vending machine commissions on the premise that it protects the interests of the operation and the Government employees by keeping food quality high and the prices low. GSA has found that cafeterias in Federal buildings frequently operate at a loss or a low profit margin. Vending commissions, in GSA's opinion, provide the cafeteria operators with the incentive and supplementary income to continue operating in the desired fashion.

If a cafeteria and a blind-vendor stand are in the same building, GSA attempts to allocate vending operations on a basis that will serve the best interests of each. Therefore, a cafeteria may be assigned the right to the income of the major portion of vending machines. In addition, the types of items blind vendors sell might be restricted to limit competition with the cafeteria. The Federal property management regulations promulgated by GSA provide that blind persons and employee associations can share vending machine income but do not provide for dividing this income between the blind and a commercial food-service operator.

In November 1972, GSA proposed new regulations which would have limited the types of items blind vendors could sell. The change was proposed to ease cafeteria operators' financial problems and GSA's problems with cafeteria operators in Federal buildings and to obtain bids for cafeteria operations. In December 1972, however, the proposal was withdrawn because of congressional and public criticism and because the regulations did not insure continued operation of existing blind-vendor stands.

In six instances cafeteria operators were authorized to operate a vending stand or were assigned vending machine income, while blind vendors in the same buildings were not assigned such income.

Minority business enterprise

Arrangements for developing and coordinating a national program for minority business enterprises were prescribed in Executive Order No. 11625, dated October 13, 1971. Under this Executive Order, Federal departments and agencies are to continue all current efforts to foster and promote minority business enterprises, cooperate with the Secretary of Commerce in increasing the total Federal effort, and report annually on their activities in this program.

Federal departments or agencies award contracts to minority enterprises for conducting business activities on Federal property. In some cases, contracts call for operating vending facilities. Although we did not examine any vending facilities being operated by minority enterprises in the 38 buildings included in our review, we realized that such operations sometimes compete with the blind-vendor program.

For instance, the Atomic Energy Commission controls Government-owned, contractor-operated plants. At one such plant, a minority business was awarded a $4 million contract through the Small Business Administration's section 8a program[1] to supply and maintain vending concessions.

Commission regulations clearly give preference to blind persons in operating vending stands and further state that no arrangement for operating a vending stand can be made without first consulting the State agency for the blind. In the case previously cited, Commission officials met with State agency officials and explained why they did not believe it was feasible for a blind person to operate vending concessions. Because State agency officials did not make further inquiry, Commission officials concluded that they had complied with the regulation and proceeded to arrange for a minority business to be awarded a contract to operate vending concessions. At the time the contract was awarded, State agency officials contacted us to voice their concern that the minority business program was competing with the blind-vendor program.

In one Federal building in Philadelphia, a minority business was installed on the same floor with a previously established blind-vendor operation. The two operations were offering some of the same items for sale, such as pipe tobacco, candies, and snacks. In this case, neither the blind vendor nor the State agency complained about installing a minority business until it was authorized to sell items which the blind vendor had not been permitted to sell. Subsequently the minority business was required to cease selling these items.

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[1]Under this program, which was authorized by the Small Business Act (15 U.S.C. 631), the Small Business Administration is authorized to enter into procurement contracts with other Federal agencies and to subcontract the performance of these contracts.

In another case, a minority business was to begin operating in a building on a different floor from a blind-vendor operation. Because the business was to sell items also sold by the blind vendor, the State agency protested to GSA, which controls the building. As of June 30, 1973, the minority enterprise had not been opened for business.

Although the frequency of minority businesses being placed where blind vendors could be established or in competition with blind vendors is apparently low, it could increase as a result of increased emphasis on the minority enterprise program.

Other deterrents to the blind-vendor program

Several other factors have deterred the blind-vendor program. Individually, these factors do not pose a major problem, but collectively they could.

1. GSA has rejected plans to expand vending operations in building lobbies because of the problems which arise in maintaining an attractive appearance in the lobbies and because it is GSA's policy that the blind-vendor stands are intended to serve building tenants rather than the public.

2. GSA's current guidelines state that a building must have a population from 150 to 1,200 to support one vending stand. Building populations ranging from 4,000 to 6,000 could support two vending stands. However, we observed several locations where two or more vending stands were operating successfully even though the building had a population of less than 4,000. GSA officials admit that they should consider more than just building population in establishing a vending site. Yet, this criterion was used to refuse additional vending operations at locations which State agencies believed would support these operations.

3. Some employee associations operate "general-merchandise" stores which offer some items for sale that are also sold by blind vendors located in the same building.

POTENTIAL FOR INCREASING BLIND-VENDOR OPERATIONS

The blind-vendor program has been relatively successful in Federal complexes. The potential for program expansion is limited but should be pursued. Equally important, however, is the need to maintain the degree of success already achieved.

State agency officials advised us that the number of stands could be increased in many locations or that existing stands could be expanded to sell more items. Program expansion will require not only State agency efforts but also the cooperation of Federal property owners or lessees, such as GSA and those Federal agencies engaged in promoting and administering the minority enterprise program. Further, strong continuing efforts will be needed from the State agencies if the current success of the program is to be maintained.

CHAPTER 6

MATTERS FOR CONSIDERATION

BY THE SUBCOMMITTEE

Before the blind-vendor program can be expanded, priorities among competing interests--the blind, minority enterprises, employee associations, and cafeteria operators--must be established.

In deliberating on whatever legislative or administrative actions need to be taken the Subcommittee may wish to consider:

1. The circumstances under which blind persons should be given preference in establishing and operating vending facilities.

2. That agencies do not always assign vending machine income as provided by the Randolph-Sheppard Act and use different methods when making assignments.

3. The extent States use set-aside funds, the differences in methods of computing blind vendors' contributions, and the activities for which set-aside funds can be used.

4. That Randolph Sheppard Act does not require the program to be evaluated periodically or for reports to be submitted to the Congress by HEW or any other Federal agencies that control, operate, or maintain Federal property and approve installation of blind-vendor operations.

5. A requirement that HEW, under the authority vested in it by Executive Order No. 11609, review the rules and regulations of the various Federal agencies to insure that agencies adequately provide the preference that blind persons are entitled to in operating vending stands on Federal property.

6. The issue of HEW and the States having no recourse from Federal agency decisions regarding blind-vendor facilities on property that they control,

which was brought out in hearings to amend the Randolph-Sheppard Act held before the Subcommittee on Handicapped Workers, Senate Committee on Labor and Public Welfare, in October and December 1971. The proposed amendments were not enacted into law, and as a result HEW and State agencies are still without recourse.

CHAPTER 7

SCOPE OF REVIEW

Our review was directed toward obtaining the necessary information concerning vending operations on federally controlled property, as agreed upon with the Subcommittee. Reliable statistics were not available on the number of vending operations on federally controlled property, their operators, locations, the dollar volume of their business, or how net proceeds were used. Because of the large number of operations, it was necessary to select a sample to be reviewed.

With the agreement of the Subcommittee, we included in our sample the following locations, which represent different parts of the country and account for a significant number of vending operations:

--Seven Federal agency headquarters in the Washington, D.C., area--HEW, U.S. Postal Service, DOD, Department of Agriculture, Department of State, Veterans Administration, Internal Revenue Service--and 13 District of Columbia Government buildings.

--A total of 291 major postal facilities in the New York, Central, and Western Regions of the Postal Service.

--Six military installations--Norfolk Naval Shipyard, Portsmouth, Virginia; Charleston Naval Base, South Carolina; Lackland Air Force Base, Texas; Fort Riley, Kansas; Camp Pendleton, California; and Fort Belvoir, Virginia.

--Eight federally controlled buildings in Boston; Chicago; Fresno, California; Kansas City, Missouri; St. Louis; and San Francisco.

--State licensing agencies for California, the District of Columbia, Illinois, Maryland, Massachusetts, Missouri, and Texas.

The licensing agencies were selected from States that were dispersed geographically and differed widely in population.

We observed vending operations at Federal locations; we used questionnaires to obtain data from all postal facilities selected and visited nine. We examined all pertinent records and documents made available to us by Federal, State, and commercial vending company officials. In some cases commercial vending companies could not, or would not, provide us with financial data we requested. Also, our questionnaires to Postal Service officials did not request financial data on blind vendors' operations. We discussed program operations with officials at HEW, DOD, GSA, the Postal Service, and other Federal agencies and also with officials from State licensing agencies and commercial vending companies.

NATIONAL SUMMARY OF STATISTICAL DATA FROM STATES' ANNUAL BLIND-VENDOR REPORTS FOR FISCAL YEARS 1971 AND 1972

	Fiscal year 1971	Fiscal year 1972	Percentage increase over previous year
Total number of stands	3,142	3,229	2.8
Federal locations	881	878	0.3
Non-Federal locations	2,261	2,351	4.0
Public	1,391	1,436	3.2
Private	870	915	5.2
Total gross sales	$101,304,773	$109,847,028	8.4
Federal locations	30,436,007	32,213,449	5.8
Non-Federal locations	70,868,766	77,633,579	9.5
Total number of operators	3,452	3,583	3.8
Federal locations	986	1,005	1.9
Non-Federal locations	2,466	2,578	4.5
Net proceeds to operators	$ 20,611,157	$ 22,768,349	10.5
Federal locations	6,206,206	6,610,786	6.5
Non-Federal locations	14,404,951	16,157,563	12.2
Operators' annual average earnings	$ 6,516	$ 6,996	7.4

ACCUMULATIVE BLIND-VENDOR PROGRAM STATISTICS (1953-1972)

Fiscal year	Average net earnings of operators	Number of operators	Number of vending stands	Gross sales
				(millions)
1953	$2,209	1,581	1,543	$ 20.6
1954	2,193	1,659	1,599	22.0
1955	2,345	1,721	1,664	23.5
1956	2,532	1,804	1,727	25.8
1957	2,654	1,924	1,830	28.9
1958	2,833	1,998	1,901	31.7
1959	3,354	2,111	1,982	34.8
1960	3,688	2,216	2,078	38.2
1961	3,900	2,332	2,174	42.0
1962	4,140	2,425	2,257	45.7
1963	4,392	2,542	2,365	49.5
1964	4,452	2,641	2,442	53.9
1965	4,716	2,806	2,574	59.4
1966	4,932	2,915	2,661	65.3
1967	5,244	3,117	2,807	71.5
1968	5,580	3,259	2,918	79.0
1969	5,868	3,341	3,002	86.4
1970	6,300	3,352	3,061	93.9
1971	6,516	3,452	3,142	101.3
1972	6,996	3,583	3,229	109.8

BLIND-VENDOR STANDS ON FEDERAL PROPERTY

BY AGENCY GRANTING PERMIT

FOR FISCAL YEAR 1972

Federal agency	Stands at beginning of year	New stands established during year	Stands closed during year	Stands at end of year
Agriculture, Department of	10	0	0	10
Air Force, Department of the	9	0	0	9
Army, Department of the	15	2	0	17
Atomic Energy Commission	15	1	1	15
Commerce, Department of	2	0	0	2
Defense, Department of	3	1	0	4
General Services Administration	456	15	15	456
Health, Education, & Welfare, Department of	44	2	2	44
Interior, Department of the	8	1	0	9
Navy, Department of the	14	2	0	16
Tennessee Valley Authority	9	0	1	8
Treasury, Department of the	7	2	0	9
U.S. Postal Service	237	7	16	228
Other	52	10	11	51
Total	881	43	46	878

SCHEDULE OF STATE STAFFING DATA

State	State licensing agency	Nominee agency	Number of State licensing agency staff concerned with blind-vendor program	Total number of nominee agency staff
California	State Department of Rehabilitation-Business Enterprise Program		21-Professional 10-Clerical	-
District of Columbia	D.C. Vocational Rehabilitation Administration	District Enterprises for the Blind	3-Professional 1-Clerical	14
Illinois	State Division of Vocational Rehabilitation	Visually Handicapped Managers of Illinois	4-Professional 2-Clerical	16
Maryland	State Division of Vocational Rehabilitation	Maryland Workshop for the Blind	(a)	9
Massachusetts	Massachusetts Commission for the Blind		5-Professional 1-Clerical	-
Missouri	Bureau for the Blind-Business Enterprises and Facilities for the Blind		5-Professional 2-Clerical	-
Texas	State Commission for the Blind		12-Professional 1-Clerical	-
Total			50-Professional 17-Clerical	39

[a]The State Division of Vocational Rehabilitation does not have any full-time employees for administering the vending stand program. However, the Division's Director of Services for the Blind, as one of his functions, coordinates the management and operation of all phases of the program.

SCHEDULE OF PROGRAM FUNDING

FOR FISCAL YEAR 1972

State licensing or nominee agency	Total funding	Source of funding: Set-aside funds	State vocational rehabilitation funds	Federal funds	Unassigned vending machine income (note a)	State funds for salaries	State general revenue funds	Miscellaneous (note b)
California	1,164,946	526,806	-	524,241	-	-	-	113,899
District of Columbia	411,085	352,381	-	-	9,592	49,112	-	-
Illinois	671,034	134,592	-	462,862	-	-	73,580	-
Maryland	332,043	232,088	51,000	-	8,955	-	40,000	-
Massachusetts	(c)	none	-	-	-	62,494	-	-
Missouri	235,502	67,779	18,654	74,615	-	74,454	-	-
Texas	395,926	124,664	-	271,262	-	-	-	-

[a]Unassigned vending income is vending machine profits that have not been assigned to a specific operator or manager. Profits are sent to the licensing agency in the form of a donation and placed into a reserve account or into the set-aside account and are used to operate and administer the program.

[b]This category may include such items as repayments from loans to operators and adjustments.

[c]Massachusetts' financial records are not maintained so that all of the funds available for administering the vending stand program can be identified.

FINANCIAL RESULTS OF NONAPPROPRIATED FUND ORGANIZATIONS'

VENDING OPERATIONS AT SIX MILITARY INSTALLATIONS AND

AT THE PENTAGON (note a)

	Vending machines							
	Norfolk	Charleston	Belvoir	Pendleton	Riley	Lackland	Pentagon	Total
Gross Receipts:								
Sales (note b)	$ 92,606	$273,268	$352,438	$1,882,881	-	$ 907,535	$384,080	$3,892,808
Commissions	158,135	6,608	94,451	-	$214,753	368,871	48,377	891,195
Total receipts	250,741	279,876	446,889	1,882,881	214,753	1,276,406	432,457	4,784,003
Operating Costs:								
Cost of goods sold	54,369	221,749	272,620	[b]710,418	-	648,566	192,040	2,099,762
Direct expenses	24,715	53,613	66,080	[b]491,759	[b]21,475	138,209	43,246	839,097
Other expenses (income)	(192)	-	-	-	-	-	-	(192)
Total expenses	78,892	275,362	338,700	1,202,177	21,475	786,775	235,286	2,938,667
Net receipts	$171,849	$ 4,514	$108,189	$ 680,704	$193,278	$ 489,631	$197,171	$1,845,336

[a] The financial information is for the most recent fiscal year for which records were available and in some cases is based on estimates.

[b] These figures do not include sales of commercial vending concerns which totaled over $3.2 million from these sales; commissions of $900,000 were paid to nonappropriated fund organizations.

Vending stands								
Norfolk	Charleston	Belvoir	Pendleton	Riley	Lackland	Pentagon	Total	Grand Total
$442,194		$485,130	$1,387,995		$1,887,224	$1,290,913	$5,493,456	$ 9,386,264
-		-	-		8,837	-	8,837	900,032
442,194		485,130	1,387,995		1,896,061	1,290,913	5,502,293	10,286,296
304,323		233,946	[b]898,747		870,064	413,092	2,720,172	4,819,934
133,183		203,145	[b]378,371		744,546	684,184	2,143,429	2,982,526
1,930		-	-		-	-	1,930	1,738
439,436		437,091	1,277,118		1,614,610	1,097,276	4,865,531	7,804,198
$ 2,758		$ 48,039	$ 110,877		$ 281,451	$ 193,637	$ 636,762	$ 2,482,098

RESULTS OF EMPLOYEE ASSOCIATION

VENDING OPERATIONS AT SELECTED POSTAL FACILITIES

FOR THE MOST CURRENT YEAR REPORTED (note a)

	Vending machines				Vending stand	
	New York region	Central region	Western region	Total	Central region (note b)	Grand Total
GROSS RECEIPTS	$430,294	$1,376,477	$593,292	$2,400,063	$416,970	$2,817,033
TOTAL EXPENSES	150,741	444,784	195,762	791,287	368,824	1,160,111
Net receipts from vending operations	279,553	931,693	397,530	1,608,776	48,146	1,656,922
OTHER INCOME (expenses) (note c)	80,152	-186,051	73,143	-32,756	-	-32,756
Net receipts	359,705	745,642	470,673	1,576,020	48,146	1,624,166
DISTRIBUTION OF NET RECEIPTS:						
Employee benefits	390,882	675,819	525,272	1,591,973	-	1,591,973
Retained earnings	-74,977	32,368	-60,145	-102,754	48,146	-54,608
Contributions to blind (net)	43,800	37,455	5,546	86,801	-	86,801
Total	$359,705	$ 745,642	$470,673	$1,576,020	$ 48,146	$1,624,166

[a] This schedule is based on data furnished to GAO without audit and in some cases includes estimates.

[b] This stand was operated by the Chicago Post Office Cafeteria Committee which is separate from the employee welfare association. The Cafeteria Committee lost money during fiscal year 1972.

[c] Included net receipts of $12,400 from two employee-operated vending stands on which we did not obtain further financial information.

FEDERAL AND DISTRICT OF COLUMBIA GOVERNMENT

BUILDINGS SELECTED FOR REVIEW

Location	Number of employees	Square footage	Vending operations: Controlled by the blind: Vending stands	Vending operations: Controlled by the blind: Vending machines	Vending operations: Controlled by others: Vending stands	Vending operations: Controlled by others: Vending machines
GSA-OWNED BUILDINGS:						
Washington, D.C.:						
State Department headquarters	6,809	1,614,565	2	28	3	61
Internal Revenue Service headquarters	4,000	779,715	2	-	1	23
HEW Complex in Southwest D.C.:						
Building number 6	2,227	401,000	1	11	1	12
Building number 8	1,125	344,615	-	-	1	7
North building	3,743	624,564	3	21	1	-
South building	1,574	318,465	2	9	-	-
Veterans Administration headquarters	2,666	332,360	1	3	1	5
Lafayette building	1,251	460,970	-	-	1	5
Department of Agriculture:						
North building	1,040	192,780	-	13	1	1
South building	7,100	1,267,325	1	6	5	25
Liberty Loan Building	600	98,630	1	10	-	-
Other cities:						
Kansas City, Mo. 601 E Street	4,756	795,432	1	72	-	-
San Francisco Federal building 450 Golden Gate Avenue	4,700	940,030	2	16	-	-
Chicago Everett McKinley Dirksen	3,488	773,860	2	34	-	6
Boston J.F.K. building	3,860	618,889	5	4	-	-
Total	48,939	9,563,200	23	227	15	145
GSA-LEASED BUILDINGS:						
HEW and Food and Drug Administration, Boston	105	29,849	-	-	-	5
210 North 12th Street, St. Louis	2,205	348,920	1	26	-	-
Internal Revenue Service Center Fresno, Calif.	2,700	422,837	1	4	-	79
300 South Wacker, Chicago	1,895	290,030	1	-	-	14
Total	6,905	1,091,636	3	30	-	98
NATIONAL INSTITUTES OF HEALTH-OWNED BUILDINGS:						
Bethesda, Maryland:						
Building:						
10	3,470	1,128,651	1	-	-	41
13	632	222,221	2	-	-	10
31	2,409	485,850	1	-	-	37
36	462	173,942	-	-	-	2
37	758	207,995	-	-	-	11
33	464	227,944	1	-	-	3
Total	8,195	2,446,603	5	-	-	104
DISTRICT OF COLUMBIA GOVERNMENT-OWNED BUILDINGS:						
District building	1,025	184,710	1	-	1	3
Municipal Center	2,478	446,054	1	9	1	6
451 Pennsylvania Avenue, NW.	181	97,868	-	1	1	9
499 Pennsylvania Avenue, NW.	494	89,006	1	2	-	1
D.C. General Hospital	2,200	1,000,000	1	10	-	13
Total	6,378	1,817,638	4	22	3	37
DISTRICT OF COLUMBIA GOVERNMENT-LEASED BUILDINGS:						
415 12th Street, NW.	1,204	216,701	-	[a]-	-	-
601 Indiana Avenue, NW.	495	89,000	-	[a]-	-	1
613 G - 614 H Streets, NW.	1,933	314,000	-	[a]-	-	-
1207 Taylor Street, NW.	129	14,500	-	[a]-	-	2
1321-1331 H Street, NW.	977	175,924	-	[a]-	-	6
500 First Street, NW.	553	117,225	-	[a]-	-	[a]3
122 C Street, NW.	400	101,771	-	[a]-	-	[a]3
801 North Capital Street, NE.	425	68,000	-	[a]-	-	-
Total	6,116	1,097,121	-	-	-	15

[a]Financial data for these vending machines was not readily available. The proceeds accrue to a private concessionaire.