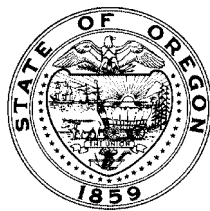


Audit of the Commission for the Blind



Joint Legislative Audit Committee

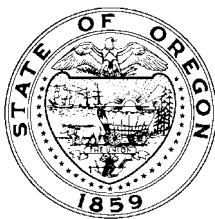
Report No. 00-2
December 2000

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December 13, 2000

The Honorable Brady Adams
President of the Senate
S-203 State Capitol
Salem, Oregon 97301

The Honorable Lynn Snodgrass
Speaker of the House
269 State Capitol
Salem, Oregon 97301

Dear President Adams and Speaker Snodgrass:

We enclose our Report No. 00-2, *Audit of the Commission for the Blind*. The report provides a general discussion of the Commission's major programs, outlines the major findings of our audit, and makes recommendations for improvements. Our audit found that the Commission's clients and advocates are very satisfied with the agency's programs and services. At the same time, however, our review found that some of the agency's expenditures were questionable and that the Commission exercises virtually no fiscal oversight.

Your Committee included recommendations in this report to improve the Commission's ability to assess the agency's fiscal operations. We recommended, for example, that agency management provide regular financial reports to the Commission and that the Commission provide review and overall direction for the agency's budget. In addition, we recommended that the Department of Administrative Services (DAS) provide training to Commission members on state agency finances, the budget process, and fiscal oversight. DAS provided the training and both the Commission and DAS reported to your Committee that the training had been productive. Your Committee also has proposed changes to Commission statutes to clarify the duties and responsibilities of the Commission with respect to fiscal oversight. The Commission agrees with our recommendations and will be ready to report back to the 2001 Legislative Assembly.

We appreciate the cooperation and assistance provided by the Commission for the Blind during the course of this audit. We also would like to acknowledge John Britton and Judi James of the Legislative Fiscal Office whose efforts made this report possible.

Respectfully submitted:

Senator Verne Duncan
Co-Chair

Representative Leslie Lewis
Co-Chair

Audit of the Commission for the Blind

Table of Contents

	Page
Executive Summary	v
Introduction	
Impetus for the audit.....	1
Objectives of the audit	1
Scope and methodology	2
Background Information	
Visual impairment limits activities of about 20,000 Oregonians.....	5
Creation of the Commission for the Blind	5
Commission operates five program areas.....	6
Commission biennial budget is \$11.5 million.....	9
Commission has a Donations and Bequests Fund.....	10
Findings	
Summary of findings	11
Clients and advocates are very satisfied	11
Greater coordination with the Department of Human Services would strengthen the Older Blind Program.....	13
Commission exercises virtually no fiscal oversight.....	14
Questionable expenditures are noted.....	15
Previous audit by the Secretary of State	19
Other issues raised are referred to another committee	21
Conclusions and Recommendations	
Conclusions.....	23
Recommendations	24
Appendices	
1 – The Commission through time.....	27
2 – Agency budget over time.....	29
Attachments	
Referral letter to Joint Interim Health and Human Services Committee	31
Draft Legislation	33
Response of the Commission for the Blind.....	35

Executive Summary

Legislative concerns about the Commission

The 1999 Legislative Assembly included a budget note recommending an audit of the Commission for the Blind in the Commission's budget bill, SB 5501. The Joint Committee on Ways and Means expressed reservations about the reporting and use of funds donated to the Commission. Also, there was concern about the Commission's management and the coordination of services with other human service and education agencies.

Commission serves Oregonians with serious visual impairment

The Commission for the Blind serves individuals who are blind, have seriously impaired vision, or have conditions which might lead to blindness. The Commission is comprised of seven members appointed by the Governor; four members are visually impaired and three others are appointed from among employers, labor, optometry, ophthalmology, and organizations that educate blind persons. The Commission, through its staff, operates five program areas: Rehabilitation Services Program; Business Enterprise Program; Oregon Industries for the Blind; Orientation and Career Center; and Administration.

Its 1999-01 Legislatively Adopted Budget is about \$11.5 million and it has an authorized staffing level of 51 full-time-equivalent employees. The Commission is allowed to receive gifts and bequests and to use them for its purposes. These funds are placed in a Donations and Bequests Fund that has a current balance of about \$600,000.

Clients and advocates are very satisfied with Commission's programs and services

We interviewed clients, former clients, advocates, and other human services and educational agency staff. With rare exception, everyone states that they were very satisfied with the Commission's programs and services. The Commission is cited as working well with school districts, parents, students, and with regional programs in helping high school students move from secondary school to college or work. Its technology center is another program often mentioned.

Competent staff, consumer involvement, and relationships with other groups serving the blind are seen as key to program success. The Commission works with a number of non-governmental agencies to provide services to its clients. However, it lacks such collaboration with government agencies in the senior service and vocational rehabilitation fields. Greater coordination with the Department of Human Services would

strengthen the Older Blind Program.

Commission exercises virtually no fiscal oversight

There is no statutory requirement that the Commission exercise fiscal oversight. While the Commission takes an active interest in its programs and advocates for its clients, its fiscal oversight has been minimal. It does not receive financial statements nor does it question management about revenues and expenditures.

Questionable expenditures are cause for concern

The Donations and Bequests Fund has not been subject to appropriation and its revenues and expenditures have never been reviewed during the budget process. Payments from the Fund have enabled the Commission to evade state expenditure practices. Expenditures for items such as tickets to the Governor's Hoe-Down following his re-election and to purchase two tickets to a Gala Dinner and Dance in San Francisco are examples.

Additionally, strategic planning and staff training expenses appear inconsistent with good government practices. Annual Christmas Commission meetings combined with staff training and strategic planning sessions at McMenamins in 1997, 1998, and 1999 cost about \$2,700, \$6,500, and \$8,000, respectively.

Other issues noted were referred to another committee

During the course of the audit, three other issues surfaced. Because they were outside the scope of the audit, they were referred to the Joint Interim Health and Human Services Committee for further review. The three issues concerned the Business Enterprise Program, the Industries for the Blind Program, and a review of statutes for general housekeeping purposes.

Recommendations

The Joint Legislative Audit Committee recommends legislation that would require the Commission to cooperate with Department of Human Services and clarify the Commission's duties and responsibilities with respect to fiscal oversight. We also make recommendations to develop the Commission's fiscal oversight capabilities through training and assistance from the Department of Administrative Services.

The Committee also recommends that the Secretary of State Audits Division conduct a complete financial audit of the Commission as soon as practicable. The Committee also makes a number of recommendations about reporting of financial activity to the Legislative Assembly during the budget review process.

Introduction

Impetus for the audit

The 1999 Legislative Assembly included a budget note recommending an audit of the Commission for the Blind in the Commission's budget bill, SB 5501¹. During the Commission's budget hearing and work session, the Joint Committee on Ways and Means expressed reservations about the reporting and use of funds donated to the Commission. In addition, there was concern about the Commission's management and the coordination of services with other human service and education agencies. The budget note recommended the Joint Legislative Audit Committee conduct an audit of the Commission for the Blind. It suggested that the audit review the sources and uses of funds, coordination of services with the Department of Human Services and other state and private agencies, and other issues the Joint Legislative Audit Committee believed relevant.

In response to the budget note, the Joint Legislative Audit Committee agreed to conduct an audit and approved an audit plan at its January 26, 2000 meeting.

Objectives of the audit

The audit had seven objectives:

1. Provide information on the array of programs and services provided by the Commission for the Blind.
2. Provide information on the sources and uses of the agency's funds.
3. Assess the effectiveness of the agency's programs and services.
4. Assess the coordination of the agency's programs and services with those of other state and local human service and educational agencies.
5. Assess the Commission's oversight of the agency's programs, finances, and staff.
6. Assess the extent to which recommendations contained in the Secretary of State's report 95-11, *A Review of Establishment Grants Awarded to Blind Enterprises of*

¹ The Oregon Commission for the Blind Budget Note contained in Senate Bill 5501 reads, "The Subcommittee recommends the Joint Legislative Audit Committee (JLAC) conduct an audit of the Commission for the Blind. The Subcommittee suggests that an audit review the sources and uses of funds, coordination of services with the Department of Human Resources and other state and private agencies, and other related issues the JLAC believes are appropriate. We suggest that the Committee issue its report and recommendations prior to the 2001 Legislative Session."

Oregon, Inc. by the Commission for the Blind, have been implemented.

7. Provide recommendations as appropriate.

Scope and methodology

The budget note mentioned above allowed the Joint Legislative Audit Committee to conduct an audit that had a broad scope. The Committee focused the audit on program performance and fiscal oversight. Several other issues outside the primary scope are discussed briefly on page 21.

We interviewed the Commissioners. We met with Department of Human Services, Department of Administrative Services, Department of Education, and other state agency staff. We interviewed advocates for blind and visually impaired persons, professionals in the field of technology for persons with disabilities, professionals involved in educating blind children, and former and current clients. We attended a Commission meeting on February 18, 2000 and toured the main agency offices including the technology center, the Industries facility, and the Orientation Center.

We reviewed applicable laws, rules and regulations, contracts, and interagency agreements. We reviewed agency financial transactions from February 1995 through January 2000 and selected 43 for more explanation. We also reviewed financial reports provided by the agency and documents associated with the agency budget approval process.

We reviewed minutes of all Commission meetings in calendar years 1995 through 1999, plus one 1994 meeting. The agency provided 3 sources for these minutes: a binder of agenda and summaries of meeting minutes; 23 files for individual meetings containing agenda, detailed minutes, roll call, and vote tallies; and 2 files marked Correspondence to the Board.

We reviewed a sample of 41 active client case files that were closed in fiscal year 1998 and 1999. We also reviewed 27 open case files. We reviewed the Commission's Plan and revisions for State Vocational Rehabilitation Services filed with the U.S. Rehabilitation Services Administration (RSA) 1998 through May 2000. We also reviewed the periodic caseload and program/cost reports filed with RSA in the same period. We also looked at the Annual Reports filed with RSA for 1996 through 1999.

We reviewed two consultant reports regarding the Business Enterprise Program and the *Report of Vending Facility Program* filed with RSA for the periods October 1997 through September 1999.

Background Information

Visual impairment limits activities of about 20,000 Oregonians

The Centers for Disease Control and Prevention estimated that in 1995 about 8.5 million Americans had a visual impairment - a prevalence rate of about 32.4 per 1,000 persons. The Census Bureau estimated that in 1992 about 1.5 million Americans had a visual impairment that caused a limitation in their daily activities².

If these national prevalence rates are simply imposed upon an estimate of Oregon's current population (3.3 million), more than 108,000 Oregonians would be expected to have a visual impairment. Of these, about 20,000 would be expected to have a visual impairment that limits their daily activities. Many of these persons may be legally blind and the majority are likely to be 65 years of age or older.

The prevalence of visual impairment and blindness, like many disabilities, increases with age. The National Federation of the Blind states the major causes of blindness are cataracts, diabetic retinopathy, glaucoma, macular degeneration, and retinitis pigmentosa. Other causes include congenital diseases and accidents.

The Commission for the Blind serves individuals who are blind, have seriously impaired vision, or have conditions which might lead to blindness³.

Creation of the Commission for the Blind

The Oregon Legislature created the Commission for the Blind in 1937. In so doing, the Legislative Assembly stated that the Commission "shall be charged with the duty of promoting . . . the welfare of blind persons, persons with seriously impaired vision, and persons suffering from conditions which might lead to blindness" (Oregon Laws, 1937). The initial mandates to the Commission were: to maintain a registry of the blind in Oregon; to cooperate with the Welfare Commission; to implement

² See US Department of Commerce, Census Bureau, Statistical Brief, January 1994. Daily activities, as used here, includes *Activities of Daily Living (ADL)* which include getting in or out of bed or a chair, bathing, getting around inside the home, dressing, using the toilet, and eating; and *Instrumental Activities of Daily Living (IADL)* such as going outside the home to shop or visit a doctor's office, doing light housework, preparing meals, keeping track of money and bills, and using the telephone.

³ See ORS 346.110(2) and 346.120. The legal definition of blindness in Oregon is having visual acuity of 20/200 or less in the better eye with best optical correction, or a visual field whose widest diameter is no greater than 20 degrees. An individual with a visual acuity of 20/200 can see 20 feet away that a person with normal (20/20) sight can see at 200 feet.

programs that prevented and treated blindness; and to provide vocational assistance and operate a workshop and trade school for the blind.

Commission's membership consists of advocates

The Commission's composition has changed over time to include fewer government administrators and more consumers and advocates. When it was founded, the Commission had five members appointed by the Governor. One of the members was required to be blind. The Commission reached its present form in 1979, consisting of four visually impaired members and three others from among employers, labor, optometry, ophthalmology, and organizations that educate blind persons. Appendix 1 contains a chart showing the changes in the composition of the Commission over the years as well as other statutory program changes.

Commission operates five program areas

Today, the agency's mission is "...to assist eligible blind Oregonians in making informed choices to achieve full inclusion in society through employment, independent living, and social self-sufficiency." To fulfill its mission, the agency's operations are divided into five program areas: Rehabilitation Services, Business Enterprises, Industries for the Blind, an Orientation and Career Center, and Administrative Services. Each of these programs is discussed below.

Rehabilitation Services is largest agency program

The Rehabilitation Services Program is the largest within the agency and includes vocational rehabilitation counseling and planning, training and education, job placement assistance, independent living skills training, and assistance for students making the transition from high school to college or work. In addition, the agency provides services to older persons who are blind or visually impaired.

Typically, agency counselors and their clients develop a plan to reach a career goal. The agency then assists the client in acquiring the skills or technology necessary to reach the goal. Clients often require two kinds of training—learning to accommodate blindness in daily living, and education toward a chosen career.

Within Rehabilitation Services are several sub-programs. These include the Youth Transition Program and Independent Living Program. In the Youth Transition Program, agency counselors begin to work with students while they are still in high school. The counselors participate in education planning conferences with teachers, parents, and students so that the students can continue to receive the support they need once they leave high school. Some of these students also participate in the agency's

Summer Work Experience Program (SWEP) that is described below as part of the Orientation and Career Center.

The Independent Living Program assists persons in learning how to manage their activities of daily living, such as shopping, preparing meals, using public transportation, and managing personal finances. The program assists both younger and older blind persons, including those who became blind later in life.

The agency also offers Living with Blindness seminars around the state. These one to three day seminars help newly blinded individuals cope with the emotional issues of becoming blind, learn some basic independent living skills, and meet peers who have successfully learned how to overcome barriers associated with blindness. The agency recently began offering Couples seminars to help household members also learn how to deal with blindness in the family.

Business Enterprise Program offers blind persons opportunities in the food service industry

The Business Enterprise Program provides self-employment opportunities for blind persons in cafeteria, snack bar, and vending machine management. The federal Randolph-Sheppard Vending Act was enacted in 1935. The federal act requires managers of federal buildings to offer blind persons opportunities to establish and operate cafeterias or vending machines. It also requires a state agency to license blind vendors to manage these facilities. The Commission for the Blind is the designated agency in Oregon.

Oregon followed with similar legislation in 1957. ORS 346.520 allows public building agency heads to decide whether the Commission may operate a business enterprise unit on their premises. If the agency head refuses, he or she must notify the agency in writing and state the reasons for refusal.

The agency contracts for space in government facilities to operate cafeterias or vending machines. Typically, building tenants absorb the rent and utilities for the enterprise unit. There are currently ten snack bars, six cafeterias, six vending machine routes, and six “dry stands”. (A dry stand sells pre-packaged items or snacks that do not require water or preparation.) Over the last two years, several unprofitable units have been closed. After placement in the Business Enterprise program, participants continue to receive support and consulting services from agency staff. The agency provides participants with needed equipment and pays for equipment repairs costing more than \$70.

Program participants must pay 11 percent of their net profits to the agency that uses the funds for program expenses. These payments go into a Set-Aside Fund. The agency provided a Combined Revenue and Expenditure Report for the eight-month

period July 1, 1999 through February 29, 2000. That report shows revenues to the Set-Aside Fund of \$117,195 and expenditures of \$63,644.

Industries for the Blind is a sheltered workshop

The Oregon Industries for the Blind is a sheltered workshop that also manages supported employment enclaves for persons who are severely developmentally disabled and, in many instances, blind. ORS 346.190 requires the Commission to "...establish and maintain a program of industries for the blind." The program has 22 staff and serves about 50 clients.

Most of the program's \$1.3 million biennial operating revenue comes from the Multnomah County Mental Health Department, which pays for service "slots" (\$1.0 million). Production contracts with several businesses generate the remaining \$300,000.

The program is a part of the agency and expenditure limitation is included in the agency's budget. However, the program operates independently and program staff are statutorily exempt from state personnel laws. Commission staff provide administrative support for which the industries program pays the Commission \$1,000 a month.

Orientation and Career Center promotes independence of visually impaired persons

The Orientation and Career Center offers services that address a wide variety of the needs of persons who are visually impaired. The center is located in Portland and provides low vision assessments, orientation and mobility training, career exploration, Braille training, a technology center, training in techniques of daily living, and a woodshop used to develop client confidence in their abilities. Agency counselors refer clients from throughout the state to the Center. Typically, clients stay in a nearby apartment for several months in order to receive Center services. Clients who live in the Portland area continue to live at home and commute or receive services in their homes.

One of the programs managed by the Orientation and Career Center staff is the Summer Work Experience Program (SWEP). Each summer, blind and visually impaired students, aged 15 to 22, come to Portland and Salem to participate in the seven-week program. Students live at home, Reed College in Portland, or the School for the Blind in Salem during the program. A dormitory counseling staff provides supervision. Participants work approximately 30 hours each week in jobs that are related to their vocational interests and appropriate with respect to their abilities. Outside of work, the students develop independent living skills and participate in challenge courses, team building exercises, trips to museums, and recreational excursions.

Administration supports other programs

Administrative Services provides agency supervision and direction, information and publicity about the programs, human resources support, and accounting, purchasing, budgeting and financial reporting services.

Commission biennial budget is \$11.5 million

The Commission's 1999-2001 Legislatively Adopted Budget is about \$11.5 million. Table 1 shows funding types by program in millions of dollars. Appendix 2 summarizes the agency's budget, expenditures, and authorized number of Full Time Equivalent (FTE) employees since 1979.

Table 1					
Commission for the Blind					
Legislatively Adopted Budget for 1999-2001					
<i>(dollars in millions)</i>					
<u>Program</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>	<u>FTE</u>
Rehabilitation Services	\$ 0.8	\$ 0.4	\$ 5.5	\$ 6.7	27.60
Business Enterprise	0.1	0.2	0.4	0.7	3.00
Industries for the Blind		1.3		1.3	
Orientation & Career Center	0.3		1.1	1.4	10.50
Administration	<u>0.2</u>	<u>0.1</u>	<u>1.2</u>	<u>1.5</u>	<u>10.00</u>
Total	\$ 1.4	\$ 2.0	\$ 8.1	\$ 11.5	51.10

Most of the agency's revenue is composed of Federal Funds from the 1973 Rehabilitation Act (Section 110), Older Blind grant, Independent Living grant, and Supported Work grant. Other Funds revenue comes from cooperative agreements with educational agencies; Industries for the Blind funding from Multnomah County and revenues from sales of its products; Business Enterprise Program Set Aside funds; and interest income from the Donations and Bequests Fund. New contributions to the Donations and Bequests Fund are not included in these revenues.

Commission has a Donations and Bequests Fund

ORS 346.270 allows the Commission to receive gifts and bequests and to "...expend the moneys for any of the objects and purposes of the Commission." A Donations and Bequests Fund was established to account for the receipt and expenditure of gifts and bequests. Most of the fund is unrestricted; that is, the donors did not specify a particular use.

The Commission's internal policy requires the Board of Commissioners to specifically approve all expenditures from the Donations and Bequests Fund exceeding \$500. The policy allows the administrator to authorize expenditures up to \$500.

Prior to 1975, the Commission was required by statute to include in its annual report to the Governor a statement of the donations received and expended. This requirement was removed as part of an omnibus bill affecting several agencies.

Prior to the 1999 Legislative Session, the Donations and Bequests Fund was never included in the agency request budget, although receipts and expenditures are accounted for through the state's accounting system. As a result, expenditures from the fund were never subject to legislative review or limitation.

The 1999 Legislative Assembly, through the Commission's budget bill, required that the Commission include the Donations and Bequests Fund balance in its budget so that the legislature had a more complete picture of resources available to provide services. The Commission's budget request also was revised to require the Commission to spend \$71,272 of interest income from the fund on two specific program enhancements. One half of the money was to be used to provide services to older blind persons and the other half to match any uncommitted federal Rehabilitation Act (Section 110) funds.

There is currently about \$600,000 in the fund.

Findings

Summary of findings

1. Generally, the Commission's clients and advocates are very satisfied with the agency's programs and services.
2. The Older Blind Program could be strengthened with greater coordination with the Department of Human Services.
3. The Commission exercises virtually no fiscal oversight.
4. Some of the agency's expenditures are questionable.
5. No funds were recovered in response to the Secretary of State's audit of the Commission's transactions with Blind Enterprises of Oregon, Inc.

Clients and advocates are very satisfied

We interviewed clients, former clients, advocates, and other human services and educational agency staff. With rare exception, everyone stated that they were very satisfied with the agency's programs and services. Several clients we spoke with identified agency staff who had been particularly helpful.

Some clients who were not satisfied with the agency are involved in the Business Enterprise Program, a program that the Commission and staff have had difficulties with and are attempting to improve.

Agency staff conduct regular and systematic case file reviews and make suggestions for improvement. The client satisfaction surveys also indicate that clients who respond to the surveys are generally very satisfied with the services they receive.

Advocates from the National Federation of the Blind and the American Council of the Blind also indicated they were pleased with the agency's services. We interviewed agency staff from the School for the Blind, the Department of Human Services, and the Columbia Regional Education Program. (There are seven "regional service programs" around the state. Most are administered by educational service districts on contract with the Department of Education and are charged with providing services to children with low incidence disabilities who are costly to serve.)

Everyone we spoke with stated that they were very satisfied with the agency's services. We spoke with a staff person from the federal Region 10 Rehabilitation Services Administration (RSA) who indicated that the Commission's Rehabilitation Services manager is considered one of the best rehabilitation

Youth Transition Program, linking school-aged students to vocational services, considered particularly effective

professionals in the country.

The agency's Youth Transition Program was cited by many as particularly effective. The agency is cited as working well with school districts, parents, students, and with regional programs in helping high school students move from secondary school to college or work.

The technology center, located in the agency's Portland headquarters, is another program often mentioned. Much of the technology for visually impaired persons involves magnification equipment. Costs for this technology range from less than one hundred dollars to several thousand dollars. Adaptive computer equipment and software required for work also can be very expensive.

As with technology in other areas, technology for visually impaired persons is changing rapidly. Keeping up with changing technology and the demand for equipment is difficult but, according to those we interviewed, being managed well by agency staff. As more adaptive technology and software become available, there is greater need for technical support, which often is not available from those employing blind persons. Many people we interviewed cited technology as a critical need of blind and visually impaired persons.

Competent staff, consumer involvement, and relationships with other groups serving the blind is a key to program success

We attribute the success of the program and services to several factors. First, the agency appears to have a competent and dedicated program staff. Program staff seem enthusiastic about their work and dedicated to helping clients overcome their barriers and achieve independence. Second, by statute, the Commission includes advocates and other blind persons to whom the agency must respond if significant service problems arise. Third, the agency has forged strong relationships with other groups devoted to serving the blind. These groups include:

- Lions Clubs
- The Casey Eye Institute within the Oregon Health Sciences University
- Vision Northwest – an organization promoting support groups for visually impaired and blind persons around the state
- The International Association of Machinists and Aerospace Workers, Center for Administering Rehabilitation and Employment Services (IAM CARES)
- The American Council of the Blind and its local

chapters – an advocacy organization for blind and visually impaired persons

- The National Federation of the Blind and its local chapters – an advocacy organization for blind and visually impaired persons
- The Oregon School for the Blind
- Blind Skills, Inc.
- The Talking Books and Braille Services program within the Oregon State Library
- Several independent living centers within the state

As noted, the agency works with a number of non-governmental human service, advocacy, and educational agencies to provide services to its clients. The agency has established connections with government agencies in the senior service and vocational rehabilitation fields, but lacks strong collaboration with those agencies.

To promote greater cooperation with state agencies, the 1999 Legislative Assembly directed the agency to cooperatively develop, with the Departments of Human Services and Education, a project plan to use Donations and Bequests Fund interest income. The three agencies worked together and presented a plan to cooperatively expand an existing technology center in the Medford area at the June 2000 meeting of the Emergency Board. The Emergency Board approved the plan, but requested that the Department of Administrative Services (DAS) not allocate the funds until DAS and the Commission could review terms of the contract allowing expansion of the center.

Greater coordination with the Department of Human Services would strengthen the Older Blind Program

During the agency's 1999 budget hearings, agency staff indicated that the Older Blind Services, a part of the agency's Rehabilitation Services Program, often helped people function independently and remain in their homes instead of facing early and costly placement in long-term care facilities. The goals of the Department of Human Services, Senior and Disabled Services Division (SDSD) are similar. SDSD's programs are geared in large part to promote independence as persons grow older. Like SDSD's management, agency staff believes demand will increase for its Older Blind Services as baby boomers age.

We believe that both SDSD and the agency could benefit from greater collaboration and cooperation. The agency clearly offers

programs that could help a number of SDSD's clients. More significantly, SDSD has expertise in funding alternatives for programs that assist elderly persons. Also, SDSD has a service delivery network that spans the state. With SDSD's help, the agency might be able to leverage this network to expand services to older blind individuals.

In addition, the agency may be able to use SDSD's expertise with Medicaid waivers and the Older Americans Act to generate other federal funding alternatives. (A Medicaid waiver may allow state and federal Medicaid funds to pay for professional mobility training for eligible low vision Oregonians.)

Commission exercises virtually no fiscal oversight

While the Commission takes an interest in the agency's programs and advocates for its clients, its current fiscal oversight role is minimal. There is no statutory mandate that the Commission exercise fiscal oversight.

Existing statutes (ORS 346.120 through 346.290) pertaining to the Commission describe the composition of the board and direct the board to establish programs for the welfare of blind persons and supportive budgetary accounts. The oversight and managerial duties of the Commission, however, are not specified.

Commission does not receive agency financial statements

While the Commission occasionally has discussions about the agency's budget, it does not regularly receive financial statements from agency management, nor does it routinely ask questions of management about agency revenue or expenditures. We requested and reviewed the Commission's minutes and handouts from the last five years and found no evidence that Commission members receive or regularly discuss financial information. Agency staff stated that financial information is not provided to Commissioners. Some Commissioners confirmed they do not receive financial statements.

Commission does not follow its own policy on authorizing Donations Fund expenditures

The Commission does not appear to be following its policies governing the use of the agency's Donations and Bequests Fund. In reviewing Commission minutes and selected Donation Fund expenditure documentation, it did not appear the Commission specifically authorized each expenditure over \$500. Moreover, the Administrator did not consistently approve expenditures of \$500 or less. The Commission was not advised of fund expenditures authorized by the administrator.

Commission sometimes uses an authorization process

Our review of Commission minutes and Donations and Bequests Fund payment documentation showed that the Commission occasionally uses an informal process of authorizing Donations

that conflicts with public meeting law

Fund expenditures. The administrator asks each commissioner separately by phone or letter to authorize a particular Donations Fund expenditure. The individual votes are subsequently tallied for the record at the next Commission meeting.

For example, the administrator sent a memo to each Commissioner on May 10, 1999 requesting a vote on three proposed Donations and Bequests Fund expenditures totaling \$56,500. The memorandum notes that, “Due to time considerations, you are requested to vote by telephone on these Donations expenditures and then vote again ‘for the record’ at the public meeting on June 25.” One of the proposed expenditures was previously discussed in a July 1998 Commission meeting; one had not been discussed previously; and the third related to outcomes of legislative budget hearings and had been discussed in concept only at recent commission meetings. In addition to this instance, we found three other instances of phone votes: one involving a liability claim settlement, one to withdraw a request for legal advice, and one authorizing a \$1,500 donation to a blind athlete.

The informal process used is neither public nor does it facilitate commissioner interaction. Communication between the administrator and individual commissioners does not constitute a public meeting. We believe, however, that the Commissioners’ vote is a public matter and is subject to Oregon Public Meetings Law (ORS 192.610) which law requires governing bodies to deliberate on or make decisions on any matter in public.

Active oversight of organizational finances and participation in budget planning are critical functions of any governing board. The oversight is essential to help ensure that public and private funds are expended consistent with law, rules, and regulations. It also helps ensure expenditures help achieve the best possible results for the agency and its programs. Without this oversight and participation, the board cannot properly exercise its responsibilities to provide leadership and management direction. Further, the Commission cannot judge whether the agency it governs is implementing its policies and programs efficiently.

Questionable expenditures are noted

We reviewed financial information from the state financial management system and agency documents. We did not conduct a full financial audit of the Commission, but instead focused on particular expenditures that appeared questionable. By “questionable” we mean expenditures that could raise public

concerns about the way agency funds were used.

These are examples of what we found.

Use of Donations and Bequests Fund evades state practices

- **Liability Claims Settlement.** In June 1997, the Commission authorized a payment of \$685 from the Donations and Bequests Fund to make full settlement of an auto liability claim. The claim alleged an Industries for the Blind employee driving a state van forced another vehicle off the road.

The Commission lacks the statutory authority to settle claims made against it. Had the Commission followed the proper procedure and forwarded the claim to the Department of Administrative Services, Risk Management Division, claims professionals would have resolved the claim. Any settlement would have been paid from the State Liability Fund and no payment from the Donations and Bequests Fund would have been necessary.

- **Dinner and Dance Tickets.** In February 1998, a \$300 payment was made from the Donations and Bequests Fund to purchase two tickets to a Gala Dinner and Dance in San Francisco. Payment was made to the Rose Resnick Lighthouse for the Blind and Visually Impaired, in San Francisco. The event was billed as a benefit for San Francisco's Premier Agencies Serving the Blind of All Ages. The agency informed us that no one from the Commission attended the event. We question how this payment or donation directly assists blind Oregonians.
- **Administrator Reception.** On October 14, 1999, \$340 from the Donations and Bequests Fund was used to sponsor a reception held at the State Capitol for the new administrator of the State Vocational Rehabilitation Division. Total cost of the reception was \$740. Two private, non-profit agencies each paid \$200 and the Commission paid \$340 from its fund. Although \$340 is a relatively small amount, the funds might have been used more beneficially to provide services.
- **Overdue Parking Citation.** In November 1999, \$300 was paid from the Donations and Bequests Fund for an overdue parking citation issued to an agency-operated van during SWEP at Reed College. The citation was for illegally parking in a disabled parking space. Typically, state employees who incur

a parking violation while on state business must personally pay for the ticket.

- Governor's Hoe-Down Tickets. In January 1999, the Commission used the Donations and Bequests Fund to reimburse the administrator \$321 to attend the Governor's Hoe-Down following his re-election in 1998. Documented expenses included lodging and tickets for the agency administrator, his spouse, and one commissioner, as well as tickets for several other agency employees. We are unsure whether this is an allowable use of charitable Donations and Bequests Funds.

Strategic planning and staff training expenses appear inconsistent with good government practice

- Staff Retreat at the Beach. On May 12-13, 1998, agency counselors and teachers met at a lodge in Cannon Beach for training and planning. A total of \$3,358 in General and Federal Funds were used. Staff training is important. However, this may not have been the most cost-effective venue for the activity or the best use of the funds when a lower cost alternative might have been available such as holding the training in Portland where most agency staff reside. The agency provided no documentation that other alternatives were considered.
- Overnight Lodging in Portland. On October 6, 1997, a strategic planning meeting was held at McMenamins Edgefield Manor. \$1,912 in General and Federal Funds were used for the meeting. A documenting memorandum authorizes three senior staff to stay overnight at the Manor even though it is within 15 miles of agency offices.
- Staff Christmas Party and Training at McMenamins. On December 1- 2, 1997, a staff development meeting was held at McMenamins Edgefield Manor. The meeting was scheduled to start at 1:00 p.m. December 1 and adjourned at 5:00 p.m. for a Christmas party and buffet. On December 2, counselors and teachers met for training from 9:00 a.m. to 3:00 p.m. The event cost \$2,349 of General and Federal Funds. Additionally, \$362 from the Donations and Bequests Fund was used. Staff development is an important tool for an effective team, but there is no need for local staff to spend the night when they could have returned home.
- Agency Christmas Party and Training at

McMenamins. On December 16 - 17, 1998, the agency held a combination public meeting, Commission meeting, and training and strategic planning meeting at McMenamins-Kennedy School. \$6,403 of General and Federal Funds were used along with \$87 of Donations and Bequests Fund.

Most staff were included in a meeting from 10:00 a.m. until 3:45 p.m. on December 16. The Commission Board Meeting started at 4:00 p.m. following an awards ceremony that included awards to SWEPP students, agency volunteers, and the employer of the year. After the Commission meeting was adjourned, staff and Commissioners held an agency Christmas party. On December 17, counselors and teachers met for training from 8:30 a.m. until 3:00 p.m. Documentation for this expense indicates that room charges for those who didn't show up were deleted from the bill.

- Training and Holiday Dinner at McMenamins. On December 8 - 9, 1999, the agency held a combination public meeting, Commission meeting, and training and strategic planning meeting at McMenamins-Kennedy School. \$7,526 of General and Federal Funds were used, along with \$499 of Donations and Bequests Fund. Like the prior two years, a holiday dinner followed the training and Commission meetings. Documentation for this expense indicates that rooms reserved for invited clients and consumers who cancelled were offered to local staff at agency expense.
- Staff Planning Retreat at Governor Hotel. In November 1999, \$349 of General and Federal Funds was paid to the Governor Hotel for food and meeting space for ten persons working on strategic planning. Agency staff told us this was for administrative staff to discuss new office procedures. Again, we question whether this is the most cost-effective way to complete this work.
- Private sector entities (both for and not-for profit) are funded voluntarily through shareholder or donor contributions. Shareholders and donors ultimately direct how their contributions will be spent. Governmental agencies, on the other hand, are supported through mandatory taxes. Taxpayers rightly expect their elected officials and agency managers to spend available resources for the public good and in the most effective and efficient ways possible.

- As a result of these fundamental differences between private and public sector financing and oversight, the standards for what constitute appropriate or prudent expenditures in each sector also differ. In the private sector, for example, staff training is sometimes combined with meals and celebrations. Retreats for directors and key staff may be held in attractive settings away from the office. The costs of attending events such as the Governor’s Hoe-Down are occasionally covered by corporate funds. Public officials, however, should not expect their employers – government agencies – to pay for these types of expenses.
- Arguably, some of the expenditures listed above were made using Donations and Bequests Fund resources, voluntarily contributed by donors. Even so, because these expenditures are being made by a state agency, we believe they should also meet the standards applicable to expenditures using tax revenue.
- We do not believe agency expenditures for the Governor’s Hoe-Down or staff holiday parties were appropriate. We question the wisdom of settling an auto liability claim without consulting the Department of Administrative Services, Risk Management Division. And, while we believe Commission meetings, staff training, team building, and recognizing agency success are important, we also believe the Commission could have conducted these events in more cost-effective ways.

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Previous audit by the Secretary of State

In March 1995, the Secretary of State issued an audit entitled, *A Review of Establishment Grants Awarded to Blind Enterprises of Oregon, Inc. by the Oregon Commission for the Blind*. The audit focused on \$3.3 million in grants and fund transfers between Blind Enterprises of Oregon, Inc. (BEO), a non-profit corporation, and the Commission. The report detailed a number of complicated transactions stretching over a 7-year period from October 1987 through March 1995. The audit stated that “\$1.75 million was improperly authorized by the Commission, improperly spent by BEO, or improperly forgiven by the Commission.” (\$613,080 of these expenditures were from the agency’s Donations and Bequests Fund.) In addition, the Secretary of State questioned whether Oregon had a viable Industries for the Blind Program, as required by statute.

The Secretary of State recommended the Commission do the following:

- Recover funds from BEO.
- Work with state and federal officials to determine if federal funds must be repaid.
- Work with the Governor, Legislators and Department of Justice to determine whether the Industries for the Blind Program meets existing legal requirements.
- Develop and implement better grant management procedures.

In addition, the Director of Department of Administrative Services agreed to conduct a review of all administrative systems at the agency following the publication of the audit report.

Federal agency finds Commission was lax in managing grants it made to Blind Enterprises of Oregon

The Commission asked the federal Rehabilitation Services Administration (RSA) to respond to the audit. RSA responded to the audit by letter in July 1999. RSA concluded that some of the Secretary of State’s questioned federal expenditures were indeed appropriate. RSA also stated that the federal government could not collect some of the funds because of the statute of limitations. RSA stated its agreement with the Secretary of State auditors “that the Oregon Commission for the Blind was lax in its management of the establishment authority of the Rehabilitation Act of 1973, as amended, in developing the BEO.”

No funds were recovered from Blind Enterprises of Oregon

We found the following has occurred since the Secretary of State’s audit:

- The Commission did not recover any assets from BEO. The Commission did request the Attorney General to seek recovery. The Attorney General reviewed the matter and advised that the chance of recovery was slim to none.
- In response to the audit report that the Commission improperly forgave a debt, the Commission sought advice from the Attorney General. The Attorney General responded that although the Commission could not “forgive” a loan to BEO, it could convert a loan to a grant. The Commission appears to have treated the loan as a grant since no further follow-up action has occurred.
- The Commission did revise its procedures governing the administration of grants.

- The Attorney General opined that the agency did have a viable Industries Program.
- The Department of Administrative Services never performed a review of the agency's administrative systems.

Other issues raised are referred to another committee

During the course of our audit, three other issues surfaced. Because these issues are outside the scope of the audit, they were referred to the Joint Interim Health and Human Services Committee for further legislative review.

The three issues concern the Business Enterprise Program, the Industries for the Blind Program, and a review of statutes for general housekeeping purposes. A copy of the referral letter is included as an Attachment to this report and these three issues are briefly discussed below.

Business Enterprise Program

The Business Enterprise Program is described on page 7 in the background section. In our interviews of agency staff and Commission members we discussed some of the history of the program as well as the current and future status. We also spoke with current and past program participants.

The program provides cafeteria, snack bar, and vending stand business opportunities within federal, state, and local government buildings for blind persons. The agency has had significant difficulties managing the program and several years ago, hired a consultant to make recommendations to improve the program.

There are numerous legal, operational, and financial issues surrounding the program. Some of the persons we interviewed are strong advocates in support of the program but believe it needs to be modified to survive. Others we interviewed question the program's premise that blind persons should have special rights to manage government cafeterias, snack bars, and vending operations instead of competing in the general labor market. All of those we interviewed acknowledge the existence of the federal Randolph Sheppard Act, which provides for these special rights in federal government buildings.

In short, the issues surrounding the Business Enterprise Program are complex and require a more thorough review than we can provide in the context of this overall agency audit.

Industries for the Blind Program

The Industries for the Blind Program looks and acts like a non-profit agency within the state agency. It probably could be merged with another existing rehabilitation facility in the Portland area, or, alternatively, spun off as an independent non-profit rehabilitation facility. In either case, the transition would require solid oversight and statutory changes. This is a time of change in programs of this type throughout Oregon. We encourage the Commission to review the advantages and disadvantages of converting the facility into an independent, non-profit entity.

Housekeeping revisions to Commission statutes

It would be useful to review the agency's statutes in order to update them. For example, ORS 346.160 requires the agency to maintain a "registry of the blind." Historically, this was used to provide data on the numbers of blind and visually impaired persons in the population. Today, there is much better information on blind and visually impaired persons in the population and the agency has a mailing list of clients and former clients. The requirement of maintaining a registry probably does not need to be in statute any longer.

A complete review of the state statutes governing the Commission would also allow an assessment of consistency with federal law. The federal Workforce Investment Act passed in 1998 included important changes to the 1973 Rehabilitation Act, the federal legislation that governs the rehabilitation services program within the agency. State statutes may need some revision to be consistent with the changes in federal law.

Conclusions and Recommendations

Conclusions

The Commission for the Blind advocates for and responds well to client needs and expectations. Its programs are highly regarded by rehabilitation professionals, clients, advocates, and other organizations serving the blind and visually impaired.

We found that the Commission did not recover assets from BEO in response to recommendations made in the Secretary of State's audit. The Attorney General's office believes pursuing recovery of assets would be futile and we agree.

The Commission cooperates well with non-profit organizations and educational agencies serving the blind, and, because of legislative directive, is expanding its work with other state agencies. We believe that greater cooperation with the Department of Human Services (DHS) would lead to even better program performance, particularly in providing services for older blind Oregonians. The Joint Legislative Audit Committee considered, but did not recommend a change in the Commission's statute that would have added the Director of DHS as a member of the Commission. Instead, the Committee formulated two other recommendations to promote greater cooperation with DHS.

The Commission exercises limited fiscal oversight and approved expenditures that we considered questionable. To improve the Commission's fiscal oversight, we considered options to change the agency's governance structure. Options included converting the Commission into an advisory board of an agency managed more directly by the Governor, and strengthening the capacity of the Commission to provide fiscal oversight by adding the Director of the Department of Administrative Services as a non-voting member.

The Committee's final recommendations do not change the governance of the Commission. The Committee did not want to compromise consumer control of the Commission's programs. Moreover, it felt that other recommendations, if followed, could accomplish the goal of improving fiscal oversight.

The Committee noted, however, that if the recommendations contained in this report do not result in improved fiscal oversight and control over expenditures, it might in the future consider recommending changes to the agency's governance.

Recommendations

To improve Commission coordination of services with Department of Human Services

1. The Joint Legislative Audit Committee recommends that the Legislative Assembly amend ORS 346.260 which requires the agency to cooperate with the Adult and Family Services Division of the Department of Human Services by replacing Adult and Family Services with the Department of Human Services.
2. We recommend that the Commission and the Department of Human Services, Senior and Disabled Services Division jointly develop a plan to coordinate their activities for older blind persons. Both agencies should present the plan to the 2001 Legislative Assembly via the Ways and Means human services subcommittee and the Human Resources substantive committees.

To improve Commission fiscal oversight

3. The Committee also recommends that the Legislative Assembly revise ORS 346.120 to clarify the Commission's duties and responsibilities with respect to fiscal oversight.
4. We recommend that the Department of Administrative Services (DAS) provide strong staff assistance to the Commission to help with budget matters through the end of the biennium, or longer if the Joint Committee on Ways and Means or the Director of DAS considers it appropriate.
5. We further recommend that the Secretary of State Audits Division conduct a full financial audit of the agency as soon as practicable. The audit should include follow-up on any outstanding issues from its 1995 audit report.
6. We recommend that the Commission's Annual Report contain a discussion of how the Donations and Bequests Fund has been used in the preceding year. A copy of the report should be provided to the Department of Administrative Services and to the Legislative Fiscal Office.
7. We also recommend the Commission become more involved in the agency's fiscal affairs. Toward that end, the Commission should:
 - Require from agency management a presentation of the agency's financial reports, including a detailed accounting of how Donations and Bequests Funds have been expended at each of its meetings;
 - Provide a copy of the financial reports given to the Commission at each meeting to the Department of Administrative Services, Budget and Management Division; and

- Provide direction and review of the agency's budget.
8. Finally, we recommend that the Department of Administrative Services (DAS) provide training to the Commission and agency staff on state agency finances, the budget process, and fiscal oversight. Both DAS and the Commission shall report to the Joint Legislative Audit Committee on the training after it has been completed.

The Commission through time

Year	Commission Make-up	Statutory Programs
1937	5 members appointed by governor. 1 member should be blind person. Commission appoints administrator	Marks the creation of the commission whose purpose is ‘... promoting, ...the welfare of blind persons, persons with seriously impaired vision, and persons suffering from conditions which might lead to blindness.’ Commission shall hold regular meetings, after giving adequate notice, and make recommendations to the governor regarding policies and procedures to promote the welfare of the blind and the carrying out of the purposes of this act. <ul style="list-style-type: none"> • Register of the blind • Prevention of blindness and provide treatment • Vocational Aid • (May)Workshop (industries) and blind trade school • Cooperation with welfare commission.
1957	Entire State Board of Education added to the commission as ex-officio member. Governor appointees increase from 2 to 4: 1 from business, 1 from labor, 2 lay members with special interest in issues of the blind. At least 1 lay member is to be legally blind. 9 members total (plus ex-officio Board of Education).	Added what is now called the Business Enterprise Program ‘...to provide remunerative employment, stimulate blind persons to greater efforts to make themselves self-supporting with independent livelihoods, the Commission shall operate vending stands in or on any public buildings or properties where such vending stands may properly and satisfactorily operate....”
1959		Gave Commission power to cancel debts arising from sale of Industries Program goods on credit.

1961		<p>Provided for state grant-in-aid for blind students in secondary education.</p> <p>Provided for blind Oregonians to use the Service Center without charge.</p>
1965	Board of Education members removed from board. Other agency heads remain as ex officio members. Still 9 total members.	
1967		Donations changed to "may be invested as provided in 1967 Act" [by the Oregon Investment Council]
1973	Senate confirmation of commissioners required.	
1975		346.120 amended to read: "...Commission...will promote...welfare of visually handicapped persons including but not limited to cooperation by contract or otherwise with public and private agencies in providing services, programs and facilities for visually handicapped persons...."
1977	Commission composition changed to: 3 members who are qualified persons within legal definition of blindness, and 2 from among employers, labor, ophthalmology, and education of blind.	<p>Added an advisory committee (ORS 346.135), which was later repealed in 1993.</p> <p>Authorized the commission to transfer ownership of materials (aids) provided to blind individuals.</p>
1979	Increased blind members from 3 to 4, and others from 2 to 3.	
1991		Business Enterprise managers and employees allowed to participate in state employee health and deferred compensation plans.

Agency budget over time

Commission for the Blind					
Expenditures, Budget & FTE (1979 - 2001)					
Biennium	General Fund	Other Funds	Federal Funds	Total Funds	FTE
1979 - 81	\$ 1.21	\$ 0.79	\$ 2.22	\$ 4.22	51.93
1981 - 83	1.48	0.61	2.27	4.36	42.10
1983 - 85	1.86	0.67	2.18	4.71	41.80
1985 - 87	1.26	0.95	3.36	5.57	42.50
1987 - 89	0.91	1.87	4.46	7.24	49.50
1989 - 91	0.92	2.26	6.13	9.31	50.00
1991 - 93	1.04	2.16	6.95	10.15	50.50
1993 - 95	0.90	1.63	6.52	9.05	52.10
1995 - 97	1.23	1.88	6.68	9.79	51.60
1997 - 99	1.32	1.95	7.72	10.99	51.10
1999 - 01	1.41	1.90	8.13	11.44	51.10
Incr. 79/81 - 99/01	17%	141%	266%	171%	(2%)

Dollars in Millions.
 1979 - 97 amounts are actual expenditures.
 1997 - 99 amounts are estimated expenditures.
 1999 - 01 amounts are Legislatively adopted budget less \$71,274 of Donations and Bequests Fund income (Other Funds).

Clients Served & Employed			
	1979 - 81	1999 - 01	% Change
Vocational Rehabilitation - Served	1,790	1,969	10%
Older Blind & Independent Living - Assisted	118	1,650	1,298%
Total Served & Assisted	1,908	3,619	90%
Vocational Rehabilitation - Employed <i>(VR employed are a subset of those served.)</i>	248	281	13%

Referral letter to Joint Interim Health and Human Services Committee

D R A F T

SUMMARY

Directs Commission for the Blind to be responsible for fiscal oversight of commission activities.

A BILL FOR AN ACT

Relating to Commission for the Blind; amending ORS 346.120.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 346.120 is amended to read:

346.120. There is created a commission for the blind and the prevention of blindness to be known as the Commission for the Blind. The commission shall:

(1) Establish and [*shall*] be responsible for the administration of a program or programs for the blind which will promote, in the manner set forth in ORS 346.110 to 346.270, the welfare of visually impaired individuals including but not limited to cooperation by contract or otherwise with public and private agencies in providing services, programs and facilities for visually impaired individuals.

(2) Be responsible for the fiscal oversight of the commission, which includes but is not limited to:

(a) Regular review of financial statements of the commission;

(b) Participation in the development of the budget for the commission; and

(c) Directing the resources of the commission to implement program goals.

D R A F T

SUMMARY

Directs Commission for the Blind to cooperate with Department of Human Services in administration of financial aid to needy blind.

A BILL FOR AN ACT

Relating to Commission for the Blind; amending ORS 346.260.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 346.260 is amended to read:

346.260. The Commission for the Blind shall:

(1) Cooperate with the [*Adult and Family Services Division*] **Department of Human Services** in the administration of financial aid to the needy blind; and

(2) When requested [*so to do*] by the [*division*] **department**, [*it shall*] make an investigation of [*the*] **a financial aid** applicant and make [*such*] recommendations to the [*division as seem advisable*] **department** regarding medical service for restoration of sight and the employability of [*such*] **the** applicant.

Response of the Commission for the Blind