Program Name: Office for Historically Underutilized Businesses

Measurability Assessment Conducted by Program Evaluation Division

Overall Indicator Ratings and Table of Contents

Office for Historically Underutilized Businesses

The Office for Historically Underutilized Businesses is a division within the Department of Administration.

- **Mission:** To promote economic opportunities for historically underutilized businesses in state government contracting and procurement that will foster their growth and profitability

- **Statutory Authority:** N.C. Gen. Stat. § 143-48.4 and 143-128.4

- **Service Population:** Minority, veteran-owned, and small businesses doing business in North Carolina
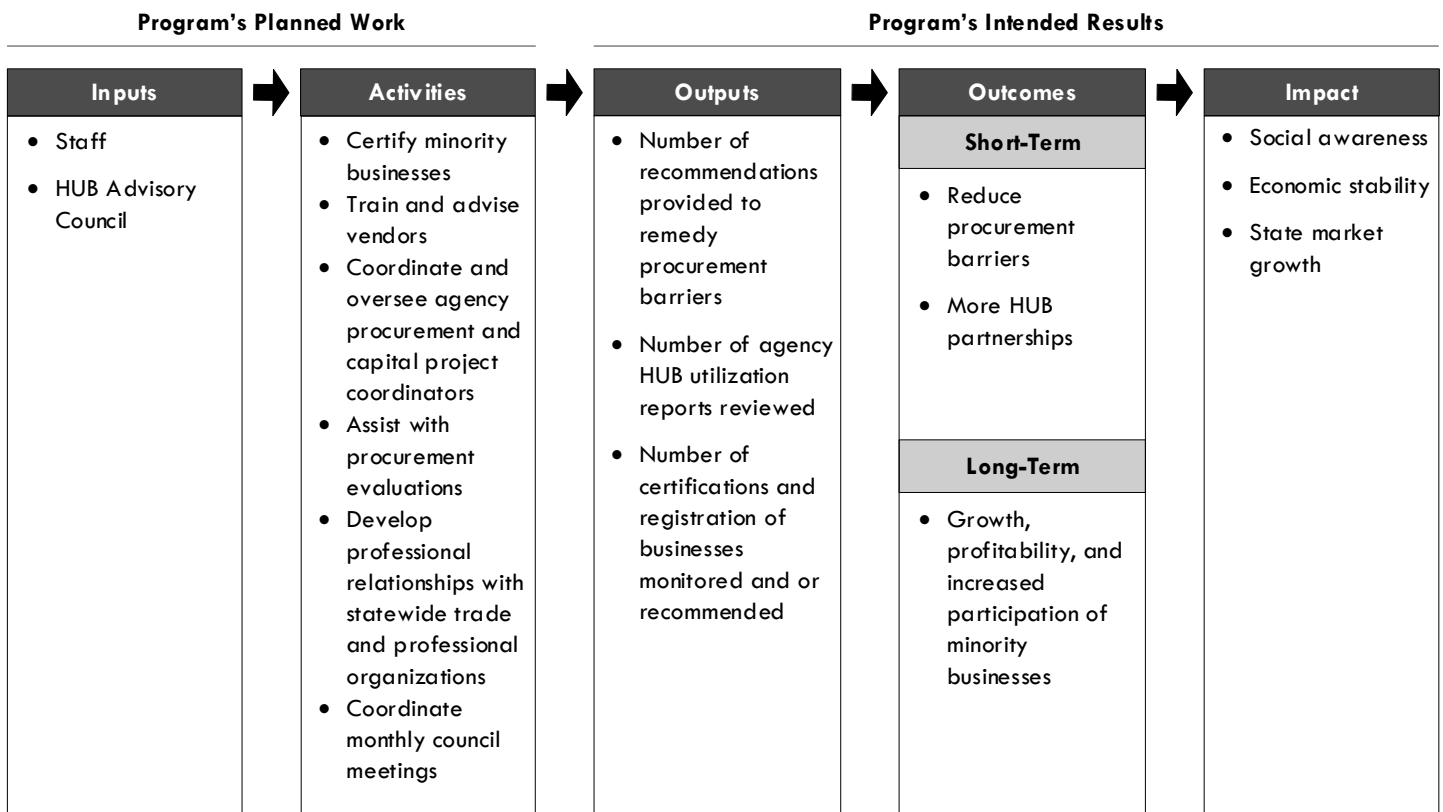
Fiscal Snapshot

	FY 2016–17	FY 2017–18	FY 2018–19
Total Requirements	$522,910	$620,484	$620,484
Total Receipts	($1,000)	($129,382)	($129,382)
Appropriation	$521,910	$491,102	$491,102
Total Positions	8	8	8

Note: For Fiscal Year 2016–17, BEACON shows the Office having 7 positions as of June 30, 2017, instead of 8.

Source: Program Evaluation Division based on OSBM's 2015–17 and 2017–19 Certified Budgets.

Logic Model Created by PED

Program's Planned Work | **Program's Intended Results**

Inputs	Activities	Outputs	Outcomes	Impact
• Staff • HUB Advisory Council	• Certify minority businesses • Train and advise vendors • Coordinate and oversee agency procurement and capital project coordinators • Assist with procurement evaluations • Develop professional relationships with statewide trade and professional organizations • Coordinate monthly council meetings	• Number of recommendations provided to remedy procurement barriers • Number of agency HUB utilization reports reviewed • Number of certifications and registration of businesses monitored and or recommended	**Short-Term** • Reduce procurement barriers • More HUB partnerships **Long-Term** • Growth, profitability, and increased participation of minority businesses	• Social awareness • Economic stability • State market growth

Source: Program Evaluation Division based on information from the Office for Historically Underutilized Businesses.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Clear and Unique Mission

Key Elements of Indicator 1: Avoids Duplication	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
1.1 Program has an inventory that identifies other current programs active in the policy area that address the same goal.	✓		
1.2 Inventory demonstrates how the examined program is unique from the other related programs.	✓		
1.3 Inventory identifies the purpose of each program.		✓	
1.4 Inventory identifies the services, products, or functions each program is providing.		✓	
1.5 Inventory identifies the target population served by each program.		✓	
1.6 Inventory identifies how the program coordinates with other related programs to avoid wasteful competition and duplication.	✓		
1.7 Inventory is updated periodically.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
1. Program does not duplicate other related programs.		✓	

Description: The Office for Historically Underutilized Businesses (HUB) has a program inventory that identifies programs that provide similar but distinct certifications:

- Regional Programs: Carolinas/Virginia Minority Supplier Development Council, Mid-South Minority Business Association, Tri-State Minority Supplier Development Council certification program.
- National Programs: National Women Business Owners Corporation certification program, US Women's Chamber of Commerce certification program, Women's Business Enterprise National Council.
- Federal Programs: US Small Business Administration's 8(a) Business Development Program and Service-Disabled Veteran-Owned Small Businesses program; US Department of Veterans Affairs's Center for Verification and Evaluation and Service-Disabled Veteran-Owned Business; US Department of Transportation's Disadvantaged Business Enterprise, Minority Business Enterprise, and Women's Business Enterprise.

The Office is unique from other related programs that verify minority, female, or disadvantaged statuses because its certification is the only one that can be counted toward minority business participation reported by state agencies, universities, community colleges, school systems, and other local public entities according to N.C. Gen. Stat. §§ 143-48.4, 143-128.4. For these certification programs, the inventory does not identify the purpose of each program; the services, products, or functions each program is providing; or the target population served by each program.

The inventory also lists programs that provide technical assistance to businesses (i.e., Small Business and Technology Development Center, Small Business Center Network, Business Link NC, NC Institute of Minority Economic Development). For these technical assistance programs, the inventory identifies the

purpose of each program; the services, products, or functions each program is providing; and the target population served by each program.

The Office coordinates with other related programs to avoid wasteful competition and duplication in the following ways:

- Incoming requests for assistance are reviewed by the Director to determine if an inquiry is best handled by the Office or if a referral to a partner organization is more appropriate.
- The Statewide Uniform Certification program provides a centralized database of certified HUB firms which is used by local and state entities for HUB participation and reporting purposes.
- The Office created a centralized, automated tracking tool for public entities to report HUB Good Faith efforts and procurement participation.
- As funding has allowed, HUB reporting requirements have been incorporated into existing, core technology tools (e.g., Interscope for Construction Services and Interactive Purchasing System for goods and services).

The Office did not provide documentation demonstrating it updates its program inventory periodically.

Suggestions: For the other certification programs, the Office's program inventory should identify the purpose of each program; the services, products, or functions each program is providing; and the target population served by each program. The Office should update its program inventory periodically and indicate on the document when it was last updated. In addition, the Commission's inventory could be strengthened in the following ways:

- including the Office itself in the inventory so that it is clear which services the Office provides that no other programs provide;
- separating programs' purposes from their services, products, or functions and from their target populations for ease of comparison; and
- individually describing efforts to coordinate with related programs.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Clear and Unique Mission (continued)

Key Elements of Indicator 2: Problem Definition	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
2.1 Problem definition is based on supportive evidence that clearly describes the nature and extent of the problem facing the individuals the program serves.	✓		
2.2 Problem definition identifies the major factors contributing to the problem.	✓		
2.3 Problem definition identifies current gaps in services or programs.	✓		
2.4 If program is based on a "promising approach" or "best practice," problem definition provides a rationale for the transferability of the approach to the population the program serves. *If program is not based on a "promising approach" or "best practice," enter N/A.*	N/A		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
2. Program has a problem definition.	✓		

Description: The Office for Historically Underutilized Businesses has a problem definition based on the following supportive evidence from a MGT of America, Inc. study (2003) of disparity in construction contracting:

- There is substantial underutilization of minority and women-owned business enterprise firms in North Carolina contracting.
- Underutilization of minority and women-owned business enterprise firms is not due to capacity-related factors alone.
- Private sector utilization of minority and women-owned business enterprise firms is considerably lower than utilization by the State in construction, both in terms of dollar awards and the number of minority and women-owned business enterprise firms that are utilized.

The problem definition identifies the major factor contributing to the problem is discrimination based on race, ethnicity, or gender. The problem definition identifies current gaps in services based on the lack of existing assistance programs and limited access to capital experienced by historically underutilized businesses in North Carolina.

Suggestions: The Office could use the information it has from multiple sources to create an original document that would be a more concise and effective problem definition.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Clear and Unique Mission (continued)

Key Elements of Indicator 3: Logic Model	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
3.1 Logic model includes specified inputs.			✓
3.2 Logic model includes specified activities.			✓
3.3 Logic model includes specified outputs.			✓
3.4 Logic model includes specified short-term and long-term outcomes.			✓
3.5 Logic model includes specified impacts.			✓
3.6 The logic model has been shared with program staff and key stakeholders.			✓
3.7 The logic model is updated periodically.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
3. Program has a logic model.			✓

Description: Although the Office for Historically Underutilized Businesses has information on inputs, activities, outputs, outcomes, and impacts spread out among multiple documents, it did not provide documentation demonstrating it has brought this information together in the form of a logic model.

Suggestions: The Office should develop a logic model that includes

- inputs (e.g., staff and HUB Advisory Council),
- activities (e.g., certify minority businesses and train vendors),
- outputs (e.g., number of recommendations provided to remedy procurement barriers),
- short-term outcomes (e.g., reduce procurement barriers) and long-term outcomes (e.g., growth of minority businesses), and
- impacts (e.g., social awareness and economic stability).

The logic model should be shared with staff and key stakeholders. The Office should update the logic model periodically and indicate on the document when it was last updated.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Focus on Results

Key Elements of Indicator 4: Evidence-Based	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
4.1 Program can demonstrate that its outcomes in North Carolina have been tested by a rigorous impact evaluation or that it uses a design that has been tested and found to be successful through multiple rigorous impact evaluations in other jurisdictions.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
4. Program is evidence-based.			✓

Description: The Office for Historically Underutilized Businesses did not provide documentation demonstrating its outcomes in North Carolina have been tested by a rigorous impact evaluation or that it uses a design that has been tested and found to be successful through multiple rigorous impact evaluations in other jurisdictions.

Suggestions: The Office should identify the primary services it offers, and each service should be subject to an impact evaluation. Impact evaluations determine the extent to which a program produces desired outcomes and intended improvements in the social conditions it was intended to ameliorate. Impact evaluations produce an estimate of the net effects of a program—the changes brought about by the intervention above and beyond those resulting from other processes and events affecting the targeted social conditions.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Focus on Results (continued)

Key Elements of Indicator 5: Scalability Analysis	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
5.1 Scalability documents determine whether the program has robust evidence of its effectiveness.			✓
5.2 Scalability documents determine whether the program has the potential for substantially expanded reach and system adoption.			✓
5.3 Scalability documents determine whether an expanded program is acceptable to target groups and settings.			✓
5.4 Scalability documents determine whether an expanded program can be delivered at an acceptable cost.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
5. Program has conducted a scalability analysis.			✓

Description: Although the Office for Historically Underutilized Businesses is a statewide program established in statute, it could still conduct a scalability analysis to determine whether it could have a greater impact if it had more resources such as more staff or newer technology. The Office did not provide documentation demonstrating it has conducted a scalability analysis.

Suggestions: The Office should conduct a scalability analysis to determine whether it has robust evidence of its effectiveness and has the potential for substantially expanded reach and system adoption. The scalability analysis should determine whether an expanded program would be acceptable to target groups and settings and could be delivered at an acceptable cost.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Focus on Results (continued)

Key Elements of Indicator 6: Strategic Plan	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
6.1 Strategic plan includes a mission statement.	✓		
6.2 Strategic plan includes a vision statement.	✓		
6.3 Strategic plan includes a values statement.	✓		
6.4 Strategic plan includes identified goals.	✓		
6.5 Strategic plan includes identified objectives.	✓		
6.6 Strategic plan includes performance measures.	✓		
6.7 Strategic plan is updated periodically.	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
6. Program has a strategic plan.	✓		

Description: The Office for Historically Underutilized Businesses (HUB)'s strategic plan includes a mission statement: "to promote economic opportunities for historically underutilized businesses in state government contracting and procurement that will foster their growth and profitability." The strategic plan has a vision statement: "There is an increased demand for the services of the HUB Office to provide more outreach to our stakeholders and to broaden our scope of services. As the state promotes business growth and jobs, it will be important for the HUB Office to advocate for diversity and inclusion in state government contracting and procurement, so that historically underutilized business will have an opportunity to prosper, increase their capacity to do business with the State and build wealth in their communities." The Office has a values statement: "quality, safety and health, accountability, continuous improvement and development, innovation and creativity, customer service, diversity and inclusion, excellence, and integrity." The strategic plan includes the following goals:

- identify HUB Office task and priorities to support external and internal stakeholders;
- identify and fulfill the needs of HUBs in North Carolina, while remaining sensitive to the needs of employees of the HUB Office and the citizens of North Carolina to produce positive outcomes that matter to HUB firms; and
- continue to build relationships with Capital Project Coordinators and Cabinet Agency Procurement Directors.

The strategic plan includes the following objectives:

- revise the Statewide Uniform Certification (SWUC) recertification application;
- provide training to staff on new SWUC procedures and standards; and
- improve communication with HUB firms by creating vetting portfolios.

The strategic plan includes performance measures, which are discussed in Indicator 7.

The Office updates its strategic plan every two years in accordance with biennium budgets.

Suggestions: None.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Focus on Results (continued)

Key Elements of Indicator 7: Performance Measurement	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
7.1 Performance measures assess key inputs.			✓
7.2 Performance measures assess key outputs.	✓		
7.3 Performance measures assess efficiency/process.			✓
7.4 Performance measures assess quality.			✓
7.5 Performance measures assess key outcomes.	✓		
7.6 Program has a defined method for collecting performance data.			✓
7.7 Program has a standard format for reporting performance data.	✓		
7.8 Program validates performance measures periodically.			✓
7.9 Performance measures are regularly reported to managers, staff, and key stakeholders.	✓		
7.10 Performance measures provide the level and type of data needed to conduct a rigorous evaluation of program impacts.	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
7. Program has performance measures.		✓	

Description: The Office for Historically Underutilized Businesses (HUB) has performance measures that assess key outputs, such as
- number of HUB Certification Requests,
- number of firms certified (approved) as HUB firms, and
- number of HUB Certification Denials.

The Office has performance measures that assess key outcomes, such as
- increase the number of HUB construction firms bidding on general construction, repairs, and renovations across all state agencies,
- increase the number of entities reporting on construction spending, and
- percentage of state agencies submitting status information on ongoing and upcoming construction projects on a regular basis.

Therefore, the Office has performance measures that provide the level and type of data needed to conduct a rigorous evaluation of program impacts.

The Office has a standard format for reporting performance data. In addition, the Office regularly reports performance measures to managers, staff, and key personnel.

The Office did not provide documentation demonstrating it has performance measures that assess inputs, efficiency/process, or quality. The Office did not provide documentation demonstrating it has a defined method for collecting performance data or that it validates performance measures periodically.

Program Name: Office for Historically Underutilized Businesses

Suggestions: The Office should have performance measures that assess inputs (e.g., staff, funding), efficiency/process (i.e., the inputs used per unit of output), and quality (i.e., the degree to which services are delivered in accordance with pre-determined standards and/or whether customers are satisfied with the services they receive).

The Office should develop a defined method for collecting performance data that explains what it is going to collect and how (e.g., who will be surveyed and how often). In addition, the Office should periodically validate the information that is being reported by reviewing data collection protocols and comparing reported information to a sample of source data.

Program Name: Office for Historically Underutilized Businesses

Indicators of a Focus on Results (continued)

Key Elements of Indicator 8: Quality Improvement System	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
8.1 Quality improvement system sets objectives, which have indicators, targets, and dates.			✓
8.2 Objectives are consistent with those set by the program's strategic plan and are updated annually.			✓
8.3 Quality improvement system monitors progress towards objectives through an action plan and milestones.			✓
8.4 Program takes remedial action if there is a performance shortfall.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
8. Program has a quality improvement system.			✓

Description: Although leadership staff of the Office for Historically Underutilized Businesses has weekly meetings to discuss program progress with leadership staff of the Department of Administration, these meetings do not constitute a quality improvement system. Therefore, the Office did not provide documentation demonstrating it has a quality improvement system.

Suggestions: The Office should create a quality improvement system that sets annual objectives and then tracks performance towards these objectives on either a quarterly or monthly basis. The objectives should have indicators, targets, and dates, and the objectives should be consistent with its strategic plan and updated annually. Progress towards objectives should be monitored through an action plan and milestones. The Office should take remedial action if there is a performance shortfall.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management

Key Elements of Indicator 9: Risk Assessment	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
9.1 Risk profile identifies inherent risks, assesses the likelihood and impact of inherent risks, determines risk tolerance, and examines the suitability of existing controls and prioritizes residual risks.		✓	
9.2 Mitigation strategy identifies who is responsible for risk management activities, determines what control activities the program is using, establishes when the program is implementing activities, and determines where the program is focusing its activities.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
9. Program has a risk assessment.		✓	

Description: In accordance with N.C. Gen. Stat. §143D-7, the Department of Administration certifies to the State Controller that it performs an annual review of its system of internal control. The Department has designed internal controls to provide reasonable assurance regarding the reliability of financial reporting; compliance with certain provisions of law, regulations, contracts, and grant agreements; and the efficiency and effectiveness of its operations. However, the Office for Historically Underutilized Businesses did not provide documentation demonstrating it has a program-specific risk profile. The Department's monitoring plan for grantees is not a monitoring plan for the Department or for the Office.

Suggestions: The Office should conduct a risk assessment to identify potential financial, fraudulent, and legal hazards. Then, the Office should create a risk profile that identifies inherent risks, assesses the likelihood and impact of inherent risks, determines risk tolerance, and examines the suitability of existing controls and prioritizes residual risks. In addition, the Office should create a mitigation strategy that identifies who is responsible for risk management activities, determines what control activities the program is using, establishes when the program is implementing activities, and determines where the program is focusing its activities.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management (continued)

Key Elements of Indicator 10: Financial Forecast	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
10.1 Financial forecast is conducted at least annually.	✓		
10.2 Financial forecast projects revenues and expenditures for at least 5 years.		✓	
10.3 Financial forecast breaks down projections into revenue and expenditure categories.	✓		
10.4 Financial forecast is based on a basic model of forecasting.	✓		
10.5 Financial forecast attempts to explain trends by discussing why revenue and expenditures are expected to increase or decrease.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
10. Program has a financial forecast.		✓	

Description: The Office for Historically Underutilized Businesses follows the biennial budget preparation instructions from the Office of State Budget and Management to develop its financial forecast, and therefore the forecast is reviewed annually and breaks down projections into revenue and expenditure categories. Although the Office of State Budget and Management's budget development process requires the Office to conduct two years of financial forecasting, the Office did not provide documentation demonstrating it projects revenues and expenditures for at least five years. The financial forecast is based on a basic model of forecasting; it uses extrapolation by reviewing historical revenue and expenditure data to predict the future by projecting the trend forward subject to the restrictions required by the Office of State Budget and Management. The Office did not provide documentation demonstrating its financial forecast attempts to explain trends by discussing why revenues and expenditures are expected to increase or decrease.

Suggestions: During the budget development process, the Office should build in a long-term focus by including revenue and expenditure projections for at least five years in its annual plan. The forecasts should attempt to explain the trends they reveal by discussing why revenue and expenditures are expected to increase or decrease.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management (continued)

Key Elements of Indicator 11: Cost Sharing	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
11.1 If program does not require cost sharing, documents include a description of why program does not require cost sharing. *If program does require cost sharing, enter N/A.*	N/A		
11.2 If program does require cost sharing, documents include a description of cost sharing requirements. *If program does not require cost sharing, enter N/A.*	✓		
11.3 If program does require cost sharing, documents describe the method used to set charges. *If program does not require cost sharing, enter N/A.*	✓		
11.4 If program does require cost sharing, documents review cost sharing levels and recommend modifications as appropriate. *If program does not require cost sharing, enter N/A.*	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
11. Program has cost sharing documents.	✓		

Description: The Office for Historically Underutilized Businesses requires cost sharing for select services. For example, vendors that participate in voluntary events must pay for event registrations. The Office provided documentation that describes cost sharing requirements and methods for charges. The documents also review cost sharing levels and recommend modifications as appropriate.

Suggestions: None.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management (continued)

Key Elements of Indicator 12: Staffing Analysis	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
12.1 Staffing analysis measures caseload and workload.		✓	
12.2 Staffing analysis identifies trends and establishes internal benchmarks for efficient operations.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
12. Program has conducted a staffing analysis.		✓	

Description: Although the Office for Historically Underutilized Businesses has a staffing analysis that describes caseload (e.g., processing certification applications) and workload (e.g., managing various client needs), the staffing analysis does not measure caseload and workload. The Office did not provide documentation demonstrating the staffing analysis identifies trends or establishes internal benchmarks for efficient operations.

Suggestions: The Office should expand its staffing analysis to measure caseload and workload. The staffing analysis should identify trends and establish internal benchmarks for efficient operations by using historical data analysis, benchmarking, or business process mapping.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management (continued)

Key Elements of Indicator 13: Accounting System	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
13.1 Accounting system includes assets, liabilities, fund equity and other credits, revenues, and expenditures.	✓		
13.2 Accounting system tracks financial information on a cash and accrual basis.	✓		
13.3 Accounting system is capable of producing financial statements required by the Governmental Accounting Standards Board.	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
13. Program has an accounting system.	✓		

Description: The Office for Historically Underutilized Businesses uses the North Carolina Accounting System. Therefore, its accounting system includes assets, liabilities, fund equity and other credits, revenues, and expenditures; tracks financial information on a cash and accrual basis; and is capable of producing financial statements required by the Governmental Accounting Standards Board.

Suggestions: None.

Program Name: Office for Historically Underutilized Businesses

Indicators of Sound Financial Management (continued)

Key Elements of Indicator 14: Audit	Key Element Ratings		
	Meets	Partially Meets	Does Not Meet
14.1 Audit documents include a description of audit requirements.	✓		
14.2 Audit documents demonstrate accessibility of persons involved with the program; books, records, reports, vouchers, correspondence, files, personnel files, investments, and any other documentation of the program; and property, equipment, and facilities of the program.	✓		
14.3 Program maintains a record of prior audits, examinations, and evaluations.			✓
14.4 Program maintains a record of corrective actions taken in response to audit findings and recommendations.			✓
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
14. Program is audited.		✓	

Description: The Office for Historically Underutilized Businesses has audit documents that include a description of audit requirements and that demonstrate accessibility of persons, documents, and property. In accordance with N.C. Gen. Stat. §143-746, the Department of Administration has an internal auditing program that audits the agency's major systems and controls periodically. The Department's internal auditor works in conjunction with the Secretary and senior staff to determine the audit schedule and reports findings to the Secretary and responsible managers for action. In addition, the Department complies with the Office of the State Auditor as required. However, the Office did not provide documentation demonstrating it maintains a record of prior audits, examinations, and evaluations. Also, the Office did not provide documentation demonstrating it maintains a record of corrective actions taken in response to audit findings and recommendations.

Suggestions: The Office should maintain a record of prior audits, examinations, and evaluations by listing key aspects of them (e.g., subject of audit, date completed, major findings) in a separate document from the audits themselves. The Office should maintain a record of corrective actions taken in response to audit findings and recommendations. The corrective actions could be listed in the separate document mentioned above.