

# Program Name: Division of Purchase and Contract

Measurability Assessment Conducted by Program Evaluation Division

## Overall Indicator Ratings and Table of Contents

	Overall Indicator Rating			Page Number
	Meets	Partially Meets	Does Not Meet	
1. Program does not duplicate other related programs.			✓	124
2. Program has a problem definition.	✓			125
3. Program has a logic model.			✓	126
4. Program is evidence-based.			✓	127
5. Program has conducted a scalability analysis.		✓		128
6. Program has a strategic plan.		✓		129
7. Program has performance measures.		✓		130
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10. Program has a financial forecast.		✓		133
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13. Program has an accounting system.	✓			136
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# Division of Purchase and Contract

Purchase and Contract is a division within the Department of Administration.

- **Mission:** To develop and implement sound procurement practices and provide quality service through teamwork and communication with state agencies, institutions, universities, community colleges, and vendors
- **Statutory Authority:** N.C. Gen. Stat. §§ 115C-522, 136-28.1, 143-49, 143-50, 143-51, 143-53.1, and 143B-1350
- **Covered Entities:** All state departments, institutions, agencies, universities, and community colleges

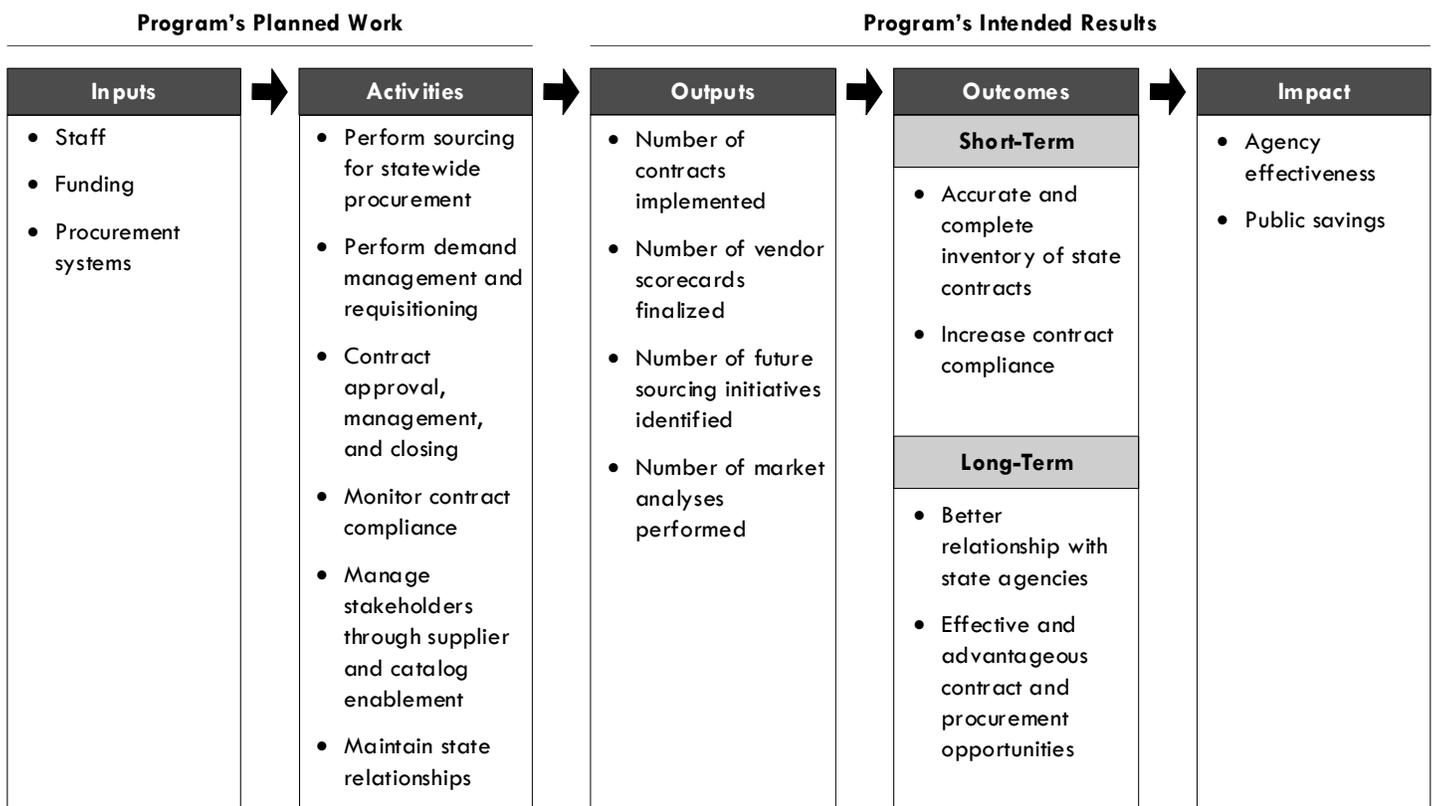
## Fiscal Snapshot

	FY 2016–17	FY 2017–18	FY 2018–19
Total Requirements	\$3,058,659	\$3,010,545	\$3,010,545
Total Receipts	(\$1,476,743)	-	-
Appropriation	\$1,581,916	\$3,010,545	\$3,010,545
<b>Total Positions</b>	<b>33.1</b>	<b>31</b>	<b>31</b>

Note: For Fiscal Year 2016–17, BEACON shows the Division having 32.1 positions as of June 30, 2017, instead of 33.1.

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

## Logic Model Created by PED



Source: Program Evaluation Division based on information from the Division of Purchase and Contract.

# Program Name: Division of Purchase and Contract

## 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
<b>1. Program does not duplicate other related programs.</b>			✓

Description: Although the Division of Purchase and Contract has a list of entities with delegated purchasing authority of more than \$10,000, it does not have a program inventory that identifies other current programs active in the policy area that address the same goal. Therefore, the Division cannot demonstrate how it is unique from other related programs. The Division provided no documentation of coordination efforts. Without an inventory, the Division cannot be sure it avoids wasteful competition and duplication.

Suggestions: The Division should conduct a scan of the public sector (both internal and external to its agency) and the nonprofit and private sector to identify any programs that are active in its policy area. For example, this scan could identify programs that engage in large-scale contract management and procurement. Then, the Division should create an inventory that identifies other current programs active in the policy area that address the same goal as the Division. The 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 Division should include itself in the inventory so that it is clear which services the Division provides that no other programs provide. The inventory should demonstrate how the Division is unique from related programs and how it coordinates with those programs to avoid wasteful competition and duplication. The Division should update the program inventory periodically.

# Program Name: Division of Purchase and Contract

## 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. <i>If program is not based on a “promising approach” or “best practice,” enter N/A.</i>	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
<b>2. Program has a problem definition.</b>	✓		

Description: The Division of Purchase and Contract has a problem definition based on the following examples of supportive evidence from an Accenture study (2011):

- There is no formal, multi-year sourcing planning process or tool to identify and manage the portfolio of sourcing projects that will deliver projected total cost savings to the State. In addition, there is no formal plan to measure allocation of work and utilization rates of procurement resources.
- There is no consistent, structured approach to conduct demand management across the categories of goods and services purchased by the State.
- There is no formal supplier performance management process that is followed consistently across entities.
- There is no consistent, structured approach to conduct market analysis or tools/subscriptions to facilitate conducting market analysis.

The problem definition identifies the major factor contributing to the problem is duplication and inefficiencies that result from decentralized management of state agencies’ purchasing and contracting needs. The problem definition identifies current gaps in services based on the Accenture study finding that North Carolina underperformed in the following areas:

- procurement strategy,
- sourcing and category management,
- requisition to pay,
- supplier relationship management,
- workforce and organization, and
- technology.

The problem definition states Accenture has identified the traits of procurement masters, and those best practices are transferable to North Carolina.

Suggestions: The Division 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: Division of Purchase and Contract

## 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
<b>3. Program has a logic model.</b>			✓

Description: Although the Division of Purchase and Contract 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 Division should develop a logic model that includes

- inputs (e.g., staff and funding),
- activities (e.g., perform sourcing for statewide procurement),
- outputs (e.g., number of contracts implemented),
- short-term outcomes (e.g., increase contract compliance) and long-term outcomes (e.g., better relationship with state agencies), and
- impacts (e.g., agency effectiveness and public savings).

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

# Program Name: Division of Purchase and Contract

## 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
<b>4. Program is evidence-based.</b>			✓

Description: Although the Division of Purchase and Contract provided survey analysis performed on procurement practices (2016), this analysis is not an impact evaluation. Therefore, the Division 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 Division 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 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 conditions.

# Program Name: Division of Purchase and Contract

## 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
<b>5. Program has conducted a scalability analysis.</b>		✓	

Description: The Division of Purchase and Contract has scalability documents that determine whether the program has robust evidence of its effectiveness through, for example, its sourcing assessment. The scalability documents also determine whether the program has potential for substantially expanded reach and system adoption (e.g., strategically sourcing across target categories), an expanded program is acceptable to target groups and settings (e.g., annual training surveys), and an expanded program can be delivered at an acceptable cost (e.g., budget reductions and lower ongoing operating costs). However, the scalability documents do not address all of the operations performed by the Division.

Suggestions: For all of its operations (e.g., contract management, compliance reviews and inspections), the Division 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: Division of Purchase and Contract

## 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
<b>6. Program has a strategic plan.</b>		✓	

Description: The Division of Purchase and Contract has a mission statement: “to develop and implement sound procurement practices and provide quality service through teamwork and communication with state agencies, institutions, universities, community colleges, and vendors.” The Division 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 Division updates its strategic plan every two years in accordance with biennium budgets. The Division is in the process of updating its strategic plan to include a vision statement, goals, objectives, and performance measures.

Suggestions: The Division should update its strategic plan, in one document, to include a program-specific vision statement and program-specific goals, objectives, and performance measures.

# Program Name: Division of Purchase and Contract

## 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
<b>7. Program has performance measures.</b>		✓	
<p>Description: The Division of Purchase and Contract has performance measures that assess quality (e.g., an annual customer satisfaction survey). However, the Division did not provide documentation demonstrating it has performance measures that assess key inputs, outputs, or outcomes. In addition, the Division did not provide documentation demonstrating it has performance measures that assess efficiency/process. Therefore, the Division does not have the level and type of data needed to conduct a rigorous evaluation.</p> <p>The Division did not provide documentation demonstrating it has a defined method for collecting performance data, has a standard format for reporting performance data, validates its performance measures periodically, or regularly reports its performance measures to managers, staff, and key stakeholders.</p>			
<p>Suggestions: The Division should have performance measures that assess key inputs (e.g., staff, funding), outputs (e.g., number of contracts implemented), and outcomes (e.g., accurate and complete inventory of state contracts). The Division should have performance measures that assess efficiency/process (i.e., the inputs used per unit of output).</p> <p>The Division 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). The Division should develop a standard format for reporting performance data. In addition, the Division should periodically validate the information that is being reported by reviewing data collection protocols and comparing reported information to a sample of source data. Finally, it should ensure that performance data are regularly reported to managers, staff, and key stakeholders in formats that are user-friendly and meet their information needs.</p>			

# Program Name: Division of Purchase and Contract

## 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
<b>8. Program has a quality improvement system.</b>		✓	

Description: The Division of Purchase and Contract has a quality improvement system (NC Valuing Individual Performance) that has objectives with indicators, targets, and dates. The Division updates the quality improvement system's objectives annually. Because the Division is in the process of updating its strategic plan, the Division also is in the process of making its quality improvement system's objectives consistent with its strategic plan's objectives. Although the Division has a quality improvement system that monitors progress through an annual action plan, the Division did not provide documentation demonstrating it monitors progress through milestones. Although the Division takes remedial action if there is a performance shortfall for some activities (e.g., if a training class survey indicates a performance shortfall, the class is immediately modified to rectify the issue indicated), the Division did not provide documentation demonstrating it takes remedial action if there is a performance shortfall for other activities (e.g., remedial actions for employees who received a rating of "does not meet expectations" on their individual performance plans).

Suggestions: When the Division's strategic plan is updated, the Division should ensure its quality improvement system's objectives are consistent with its strategic plan's objectives. Progress towards objectives should be monitored through milestones. The Division should take remedial action if there is a performance shortfall for any of its activities.

# Program Name: Division of Purchase and Contract

## 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
<b>9. Program has a risk assessment.</b>		✓	

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 Division of Purchase and Contract 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 Division.

Suggestions: The Division should conduct a risk assessment to identify potential financial, fraudulent, and legal hazards. Then, the Division 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 Division 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: Division of Purchase and Contract

## 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
<b>10. Program has a financial forecast.</b>		✓	

Description: The Division of Purchase and Contract 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 Division to conduct two years of financial forecasting, the Division 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 Division 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 Division 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: Division of Purchase and Contract

## 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. <i>If program does require cost sharing, enter N/A.</i>	N/A		
11.2 If program does require cost sharing, documents include a description of cost sharing requirements. <i>If program does not require cost sharing, enter N/A.</i>	✓		
11.3 If program does require cost sharing, documents describe the method used to set charges. <i>If program does not require cost sharing, enter N/A.</i>	✓		
11.4 If program does require cost sharing, documents review cost sharing levels and recommend modifications as appropriate. <i>If program does not require cost sharing, enter N/A.</i>	✓		
	Overall Indicator Rating		
	Meets	Partially Meets	Does Not Meet
<b>11. Program has cost sharing documents.</b>	✓		
Description: The Division of Purchase and Contract requires cost sharing. The Division charges vendors for use of its electronic purchasing system. The Division provided documentation that includes a description of cost sharing requirements and the methods used to set charges. The documents also review cost sharing levels and recommend modifications as appropriate.			
Suggestions: None.			

# Program Name: Division of Purchase and Contract

## 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
<b>12. Program has conducted a staffing analysis.</b>			✓
<p>Description: The Department of Administration is participating in the Office of State Human Resources's Statewide Compensation System Project, which reviewed job descriptions to streamline job classifications, but this project is not a staffing analysis with measures of caseload and workload. Therefore, the Division of Purchase and Contract did not provide documentation demonstrating it has conducted a staffing analysis that measures caseload and workload or that identifies trends and establishes internal benchmarks for efficient operations.</p>			
<p>Suggestions: The Division should conduct a staffing analysis to determine if its staffing levels are appropriate based on the volume of work it is required to perform. The staffing analysis should measure caseload (i.e., the number of cases that staff are assigned in a given time period) and workload (i.e., the amount of work required to manage assigned cases or perform certain tasks). The staffing analysis should identify trends and establish internal benchmarks for efficient operations by using historical data analysis, benchmarking, or business process mapping.</p>			

# Program Name: Division of Purchase and Contract

## 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
<b>13. Program has an accounting system.</b>	✓		
<p>Description: The Division of Purchase and Contract 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.</p>			
<p>Suggestions: None.</p>			

# Program Name: Division of Purchase and Contract

## 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
<b>14. Program is audited.</b>		✓	

Description: The Division of Purchase and Contract 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 Division did not provide documentation demonstrating it maintains a record of prior audits, examinations, and evaluations. Also, the Division did not provide documentation demonstrating it maintains a record of corrective actions taken in response to audit findings and recommendations.

Suggestions: The Division 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 Division 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.