

Secretary of State Audit Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



Office of Minority, Women and Emerging Small Business: More Timely and Consistent Services

Summary

The Office of Minority, Women and Emerging Small Business (OMWESB) administers four certifications that assist minorities, women and emerging small businesses to maximize their economic opportunities and promote their success. The program also maintains an online directory of certified businesses for use by the state, other public jurisdictions, prime contractors, and private industries that may be seeking certified business services.

The objective of our audit was to determine whether OMWESB provides timely and consistent services to businesses. We focused on state certification processes; we did not focus on federal DBE certification processing, which is reviewed regularly by state and federal transportation agencies.

While program management has taken some steps to address its high workload, improvements are needed for more timely and consistent treatment of applicants. We found significant variance in the timeliness of certifications and some inconsistencies in the decisions. While some of these problems are due to the volume of work, management can better manage its workload in a number of ways, provide more direction and support to staff to ensure equitable treatment of applicants, simplify the application for businesses, and better track and use performance information.

We recommend OMWESB management evaluate the necessity and priority of its tasks, review its work balancing and work flows, develop and update policies and procedures, simplify its application forms, develop and use performance information to improve certification efforts, and incorporate these changes into the proposed new computer system.

Agency Response

The agency response is attached at the end of the report.

Background

The Office of Minority, Women and Emerging Small Business (OMWESB) administers four certifications that assist minorities, women and emerging small businesses to maximize their economic opportunities and help promote their success. The OMWESB program also maintains an online directory of certified businesses for use by the state, other public jurisdictions, prime contractors, and private industries that may be seeking certified business services.

The program is operated as part of the Oregon Business Development Department (Business Oregon). The program was previously housed at the Department of Consumer and Business Services for 16 years and was transferred in its entirety to Business Oregon in 2009.

OMWESB receives approximately 30% of its funding from the Oregon Department of Transportation for performing the federal certification eligibility determination and 70% from an assessment to state agencies. The program budget has increased from approximately \$769,000 for the 2005-07 biennium to \$1.085 million for the 2011-2013 biennium. It has a staff of five, consisting of a manager, three certification specialists, and an administrative specialist.

OMWESB staff administers the following four certifications:

- Disadvantaged Business Enterprise (DBE);
- Minority Business Enterprise (MBE);
- Woman Business Enterprise (WBE); and
- Emerging Small Business (ESB)

DBE is a federal certification for businesses seeking contracting opportunities with recipients of federal transportation-related monies (e.g., Oregon Department of Transportation, transit authorities, municipalities, and ports). Federal funding rules have designated a portion of the funds for contract opportunities only to businesses with the DBE certification. MBE and WBE state certifications are for businesses seeking contracting opportunities with state, county, city, and other public jurisdictions. ESB is a state certification unique to Oregon that is for small businesses. The Oregon Department of Transportation has set aside contracting opportunities for emerging small businesses. Based on court decisions, the state certifications offer little in the way of preference for getting contracts, but rather ensure inclusion so that certified entities are aware of contracting opportunities and can bid on them.

Certifications are eligibility based; applicants are responsible for showing they meet certain requirements. Businesses can initially apply for multiple certifications with a single application, or can apply for one certification then another certification at a later date. To qualify for any of the four certifications, businesses need to be independent, exist and operate for

profit, and be properly licensed and registered. Each certification has additional eligibility requirements described in the table below.

Certification Requirements

	Disadvantaged Business Enterprise (DBE)	Minority Business Enterprise (MBE) Or Woman Business Enterprise (WBE)	Emerging Small Businesses (ESB)
Size	<ul style="list-style-type: none"> Small business, with average annual gross receipts less than \$22.41M 	<ul style="list-style-type: none"> Small business with average annual gross receipts for the business and its affiliates for the previous 3 fiscal years that does not exceed amounts set by the Small Business Administration 	<ul style="list-style-type: none"> Average, annual gross receipts over the last three years not exceeding: <ul style="list-style-type: none"> Tier 1: \$1,671,177 for construction businesses and \$668,471 for non-construction Tier 2: \$3,342,354 for construction businesses and \$1,114,118 for non-construction
Control & Ownership	<ul style="list-style-type: none"> Controlled and owned by one or more socially and economically disadvantaged individuals One or more socially and economically disadvantaged individuals must have made a contribution of capital to the business 	<ul style="list-style-type: none"> Controlled by one or more qualifying individuals Owned by one or more minority or women owners (51%+ ownership) One or more qualifying individuals must make a contribution of assets to the business Qualifying individuals have training and/or experience in the primary fields of operation 	
Staff & Equipment	<ul style="list-style-type: none"> Business has/leases sufficient machinery, equipment, and employees to operate 	<ul style="list-style-type: none"> Has/leases sufficient machinery, equipment, and employees to operate 	<ul style="list-style-type: none"> Less than 20 full time employees (FTE) in tier 1; less than 30 FTE in tier 2
Location			<ul style="list-style-type: none"> Principal place of business in the state of Oregon
All businesses must exist, be independent, operate for profit, and be properly licensed and registered			

Source: Oregon Administrative Rules

Eligibility for the four OMWESB certifications is assessed by one of three certification specialists. Additionally, the Oregon Department of Transportation has provided a temporary staff member for the past three years to assist with processing DBE and ESB certifications.

All certifications are valid for three years from the date the application is certified. To maintain certification during those three years, DBE and ESB businesses are required to attest yearly they continue to meet certification rules and supply tax information. The program is considering expanding this requirement to MBE and WBE certifications. Additionally, the ESB certification has a time limitation. As long as they continue to meet the requirements, ESB certified businesses can be certified up to a maximum of 12 consecutive years, with six years at Tier 1 and six years at Tier 2. Under certain circumstances, a Tier 1 firm can receive an additional year extension for being certified.

Businesses are certified for their specific capabilities using universally accepted industry code systems, one of which is the North American Industry Classification System (NAICS). NAICS codes allow businesses to be notified of appropriate bid opportunities through the State's procurement system. In addition, there are set participation goals for work performed by DBE contractors.

According to program rules and staff, a business owner may receive certification for multiple businesses that provide the same or similar work, and share equipment and office space. It is also allowable for businesses with different owners to share equipment and office space. Further, DBE, MBE, and WBE certifications are owner focused. For example, the women-owned business WBE certification focuses on the gender of the owner not her employees.

According to program staff, the number of active certified businesses has more than doubled over the past few years, going from 1,521 in January 2009 to 3,172 in January 2012. As of July 2012, OMWESB's directory showed a total of 3,361 currently certified businesses with 4,917 certifications. The majority of certified businesses have a single certification, with ESB as the most prevalent.

As shown in Figures 1 and 2, new applications peaked in 2009, while the renewal applications have grown as the total number of certified businesses continues to grow.

Figure 1: Applications Received

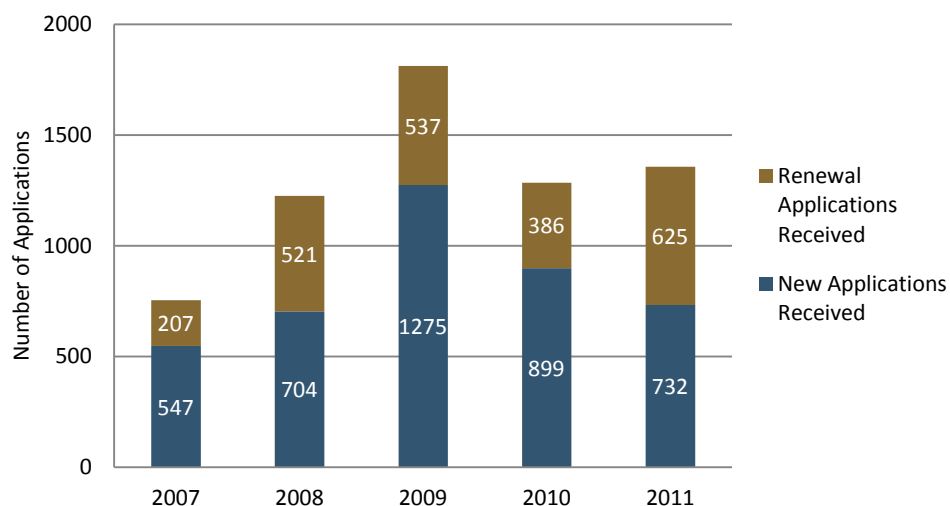
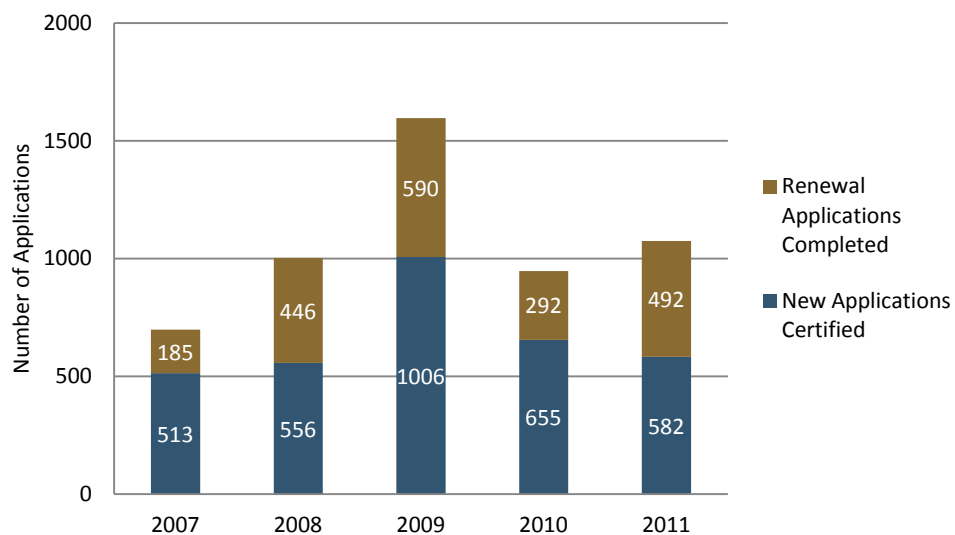


Figure 2: Applications Certified and Completed



Applicants who do not provide the required information needed to determine their eligibility or are not eligible for certification are denied, decertified, administratively closed, or may elect to have their application withdrawn. Denials typically apply to new applications, whereas the term decertified typically applies to previously certified businesses. Program denials have remained relatively steady, approximately 65 per year for the past two calendar years, while the number of decertified businesses grew slightly to 316 in calendar year 2011. According to program rules, failure to submit state certification renewal applications prior to the certification expiration date can result in an administrative closure. Administratively closed businesses nearly doubled from 153, or 24% of closed firms, in 2010 to 274, or 35% of closed firms, in 2011.

Certification specialists mainly review new and renewal applications. This includes examining the application and required documentation, verifying business registration, researching licensing and industry commodity code requirements, conducting interviews with applicants as needed for clarification, making and documenting certification eligibility recommendations, and drafting denial letters. Additionally, program staff process annual no change statements and track ESB tier size and duration limitations.

The program manager, in addition to assisting with complicated applications, reviews all specialists' recommendations for certification, denials, and decertifications. In his absence, the specialists perform this review for each other.

Audit Results

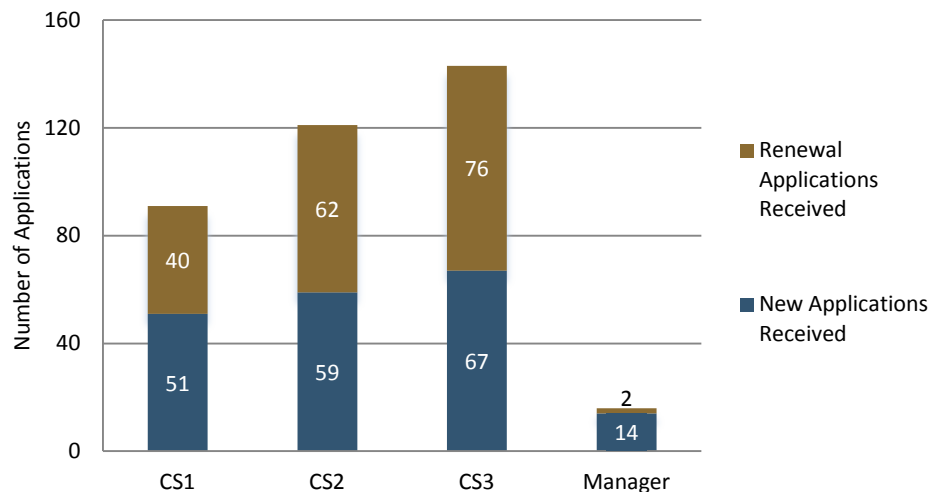
While the OMWESB program has taken steps to address its high workload of state certifications (MBE, WBE, and ESB), key improvements are needed for more consistent, timely, and equitable treatment of applicants. We found significant variance in the timeliness of certifications, and some inconsistencies in staff decisions. While some of these problems are due to the high volume of work, management can better manage its workload in a number of ways, provide more direction and support to ensure equitable treatment of applicants, simplify some aspects of the application forms, better track and use performance information, and incorporate these improvements into the planning and implementation of the proposed new computer system.

Better Manage the Workload

OMWESB staff are highly dedicated to the program's mission and expend considerable effort to assist applicants seeking certification. However, with high, continuous workload demands, this can adversely impact the timeliness and consistency of service that businesses receive. Further, the workload can be overwhelming for staff, affect morale, and result in increased processing errors.

As of May 1, 2012, the program had a backlog of 371 business applications representing approximately 460 state certification requests, with approximately 90 to 140 businesses assigned to each of the three certification specialists. For the past two calendar years, an average of 25 applications was received each week.

Figure 3: Application Backlog per Certification Specialist (CS), as of May 1, 2012



Of the new certification requests in the backlog, 34% had been with the program for over 90 days and nearly half of those had been in process for over six months. In addition, 13% of the renewal certifications had been with the program for over 90 days.

The program also faces possible increases in workload. For example, the Governor's Office of Economic & Business Equity has been enhancing its outreach efforts to increase business participation in the program, and hopes to triple the number of certified businesses. Also, newly proposed state administrative rule changes have resulted in added staff responsibilities.

When a certification is delayed, businesses may be missing available contract opportunities. Moreover, businesses that no longer qualify for program benefits may still be receiving contracts due to delays in closing certifications promptly.

Further, we noted some erroneously closed certifications and a failure or delay in closing certifications for businesses determined ineligible. For example, one certification was administratively closed apparently for not submitting the required annual information, though that was done 4.5 months before the information was actually due. In another example, rather than denying an application when the business owner did not have the required contractor license, the application was put on hold. In yet another case, one business submitted its renewal MBE and WBE application noting plans to reinstate its business license. Over a four week period, program staff requested verification of business registration, licensure, and receipt of bids for upcoming projects. Ten weeks later, the program sent an intent to decertify letter. Delaying closure of certified businesses results in certification specialists spending additional time working the file, and keeps businesses actively certified and listed in the OMWESB Directory.

Workload Not Managed to Ensure Timeliness

Management could better define priorities and alter staff duties and practices to ensure timely certifications and closures.

The program has internal goals for processing new applications for state certifications - 30 days for an ESB and 60 days for a WBE or MBE. Those goals are for making an eligibility determination and are based on the date all information was received. Though that date is noted in the application files and entered into the data system, we found specialists determined it differently. Since that date was not uniformly captured, we chose a sample of applications and determined the total time it took for each application to be either certified or denied. The results, which are shown in Table 1, show that total processing time ranges broadly, but can be lengthy in some cases. We noted that, overall, the renewal processing time was essentially the same for the files we reviewed regardless of the type of state certification (ESB, WBE, or MBE).

Table 1: Total Processing Time for Application Sample, From Receipt to Determination in 2011

	Processing Time Range	Median
New Applications Certified	2 – 343 days	79 days
Renewed Applications	3 – 259 days	62 days
Applications Denied	111 – 229 days	135 days

In addition to denials, certification closures can result from decertifications, administrative closure, or withdrawals. In the decertification cases we reviewed, businesses remained certified three to five weeks longer than the due date they were given. Such closures are not managed for timeliness based on the due date given the businesses. For example, one staff member administratively closes files as time allows. Further, an internal report showed 12 businesses with 2011 expiration dates remained certified over two months past the expiration date, with one still certified 29 weeks past its expiration date.

Although management meets regularly with program staff and has provided some guidelines on processing and keeping applications moving, there have been no clear written directives. Further, management stated they regularly review total applications assigned to each specialist, but there have been no subsequent assessments of timeliness in meeting program goals and reasons for delays in determinations.

Better balance work flows

The program has taken some steps to streamline processes for applicants as well as its personnel. For example, application forms have been revised to handle multiple certifications and certification dates for businesses with more than one certification have been aligned to simplify certification renewal and annual reporting. However, more changes are possible to streamline work processes and set priorities.

Nearly all case handling and communication about the program goes through the administrative specialist. This includes tasks such as processing all in-coming and out-going correspondence, entering most business information into the data system, answering general program phone calls and email, assigning applications to certification specialists, managing compliance and reminder reports, printing program forms and inserts, and archiving files. Many of these tasks are performed daily, though some batching might be possible.

The extent, frequency and order of the administrative specialist's tasks can affect the timeliness and consistency of others' work. For example, we found applications were sometimes assigned to certification specialists the same day they were received, whereas others were delayed up to 2.5 weeks. We also noted that, in her absence, only a limited number of these administrative tasks are performed by other staff.

As applications are received, they are assigned to specialists equally, regardless of their other duties and backlogs. For example, one specialist spent an extensive amount of time drafting proposed changes to program administrative rules, but still received an equal portion of applications as the other specialists.

In addition, program staff has received competing and at times differing direction from management for processing applications. For instance, information provided to applicants and program rules state applications will be processed in the order received. However, management direction to prioritize newly received complete applications conflicts with that direction. With the differing directions, specialists manage their workloads differently. For example one specialist generally processes all applications by date received, another prioritizes new applications over renewals, and the third processes renewals based on "expiration" date.

Review practices that add to workload and delays

Some program practices have led to extra work for staff. These include handling incomplete applications, encouraging withdrawal of applications, providing multiple reminders, and a general effort to provide the utmost customer service.

Handling incomplete applications Businesses interested in being certified manually fill out and submit program certification applications. Specialists commented that businesses often submit incomplete applications, most commonly omitting required documentation such as tax forms. While program administrative rules state applications lacking required information will be denied, program staff works incomplete applications. According to the staff, this takes a lot of additional time, especially for certification specialists who often have repeated back and forth contact with applicants for the missing information. Incomplete applications are given the same weight as those that are complete and ready for determination. At times, these incomplete applications retain their position in the processing queue, which delays processing of complete applications received later.

Encouraging withdrawal The program offers applicants the opportunity to withdraw their application rather than denying or decertifying them when they are not eligible or do not supply the documentation required. We noted businesses were given varying timeframes, from two days to 7.5 weeks, to submit a withdrawal request. During this time, certified businesses remain certified and can continue receiving program benefits. For the past three calendar years, there have been approximately 130 businesses per year that withdrew their applications. This process takes additional specialist time to monitor and ensure businesses submit a withdrawal request form. According to staff, encouraging applicants to withdraw helps businesses by not having a denial or decertification go on their record.

Providing additional reminders Program rules require a mailing to certified businesses approximately one month prior to the date their annual statements are due and two months prior to their third-year certification renewal date. If a business does not submit the required statement or application, a 21-day intent to decertify or close letter should be sent to the business. If the business does not respond within 21 days, it should be decertified or closed.

However, in addition to these notices, the program has added further notices to businesses. For the annual statements, a second notice is sent the day after the statement was due, giving the business approximately two additional weeks before the intent to deny letter is sent. For the third-year renewal, in addition to the required 60-day reminder, there is an additional 30-day notice, followed by the 21-day intent letter.

For businesses that do not respond within 21 days of receiving the intent to decertify or close letter, there is yet another attempt by program staff to confirm the owner is not interested in continuing with the program before the certification is closed. Further, if the closure was due to lack of information, specialists work with the business if the business contacts them to try to get the information needed to continue with certification.

Caring philosophy Management has the goal to help applicants as much as possible, and we noted a strong customer service focus among program staff. We were told certification specialists were expected to continue assisting applicants whose filings were incomplete, and to stop only when it seemed the specialist cared more than the applicant. Further, staff was directed on occasion to continue working with non-responsive applicants. According to the program manager, this focus was instilled while the program was housed in a previous agency. This extensive assistance can increase successful certification and business satisfaction, but it can also create work backlogs and delays for other businesses awaiting certification.

Clear Direction Needed to Ensure Fairness to Applicants

Following established program policies and procedures can ensure businesses receive consistent and timely service. While certification specialists need to make judgments as to the sufficiency and applicability of applicant information, clearly defined, specific policies and procedures help staff interpret program rules, respond when businesses are not fulfilling their certification obligations, and support the program in appeal hearings.

Service varied among applicants

We found program staff gave varying extensions for businesses to provide information needed to determine eligibility before closing certifications and for accepting withdrawals. For example, a business that was no longer registered with the state had its certification kept open 4.5 months before it

was denied. Further, two businesses were given 3 weeks beyond the 21-day intent to decertify deadline, while two others were given 5 weeks beyond the deadline. The variable and often lengthy extensions granted to businesses can result in other businesses waiting longer to have their applications processed.

We also noted some applicants waited varying numbers of months for a certification specialist review. For example, the program received a complete application in February 2011, but the specialist did not start the review until four months later in June 2011. In contrast, another complete application was received in April 2011 by another specialist and was certified in June.

In some instances applications were denied or decertified because the business did not supply the required information for eligibility and in other cases with the same circumstances, the applications were administratively closed. Further, in the majority files we sampled, we noted businesses did not receive notice their certifications were administratively closed.

Insufficient written procedures

Having clear and current policies and procedures helps ensure businesses applying for certification receive equal treatment from the program. We noted policy and procedure manuals available to staff were outdated and incomplete. For example, the certification specialist desk manual we reviewed consisted of 11 policies, the majority of which were established 10 years ago, and some did not reflect current practices. In addition, there were no procedures that addressed methods for verifying other owner businesses, or requesting missing information. Similarly, the administrative specialist told us her desk manual did not reflect any current practices.

During our audit, program management developed some guidelines for processing applications. However, the guidelines were conveyed as tips rather than as clear policies and procedures.

Develop and Use Performance Management Information

Management is responsible for establishing and maintaining measures to help ensure appropriate goals and objectives are met and information is reliable. Integrating performance data in operational and strategic decision making is essential for managing resources, evaluating actions, and determining where alternative strategies are needed. Tracking performance information can also acknowledge program staff for the work they perform.

Program efforts and results not regularly tracked

OMWESB management collects and uses limited performance information. There is no process in place to gather and use information such as trends in

applications received, certified and closed; processing time of applications; completion and closure activity by specialist; and review of closed files to identify problem patterns. Without this information, the program cannot ensure it is serving the purposes for which it was created, including assessing its effectiveness in meeting certification processing requirements and goals, and enhancing its practices to better serve applicants.

When we asked for program activity information such as the number of applications received and certifications awarded annually for the past five years, management had staff run system reports to obtain the data. Additionally, the program does not have established performance measures. At its prior agency, the program was provided processing goals for certification that continue to be used at Business Oregon. Though management uses these internal goals for processing ESB applications in 30 days and MBE or WBE in 60 days, these goals are not formalized in policy and are not tracked.

Process Needed to Ensure Completeness and Accuracy

While the program has a process for reviewing certification determinations, it does not include ensuring that application files and data are complete and accurate. Critical pieces of information were missing from some application files we reviewed and some gaps in processing time were not explained in the files. For example, we found that one business certified as an ESB was later found ineligible. However, the certification was kept open for several years prior to final closure without any explanation in the application file. Additionally, we noted instances where required forms such as the annual statement were received, but not entered into the program's data system, which can impact certification timelines. Conversely, we also noted instances where there were double entries in the system for the same occurrence.

We also found that specialists recorded on checklists and in the data system a date for receipt of all information necessary for making an eligibility determination, but they did not consistently determine this date. This information is needed to assess adherence to processing time requirements.

Applications Could be Simpler to Assist Businesses

Simplifying and clarifying applications and accompanying explanations can lessen the occurrence of incomplete applications and one-on-one assistance provided to businesses. We noted certification applications could be clearer and better explain the questions and required accompanying information. Staff mentioned applicants regularly call for clarification or want to go through the application with a specialist.

The state application, patterned after the more complex federal program application, consists of multiple forms that begin with program administrative rules verbatim. Unlike OMWESB's applications, we noted

other state applications have rule requirements simplified and built into the application questions. This helps clarify whether an applicant meets the certification conditions and should continue filling out the application form. For example, another state's applications instruct applicants to stop if they answered no to particular questions that would make them ineligible for certification. The applications also simplified eligibility questions such as "To be eligible for certification, this business must be owned at least 51% by minorities or women. Is this owner included in the 51% or more? (Yes/No)". Further, this state's website had a quick survey to find out what certifications a business would be eligible for and also included instructional certification videos.

In addition, application questions should readily provide the program with applicant information needed to determine eligibility. For instance, according to program management, one aspect of ESB eligibility depends on set limits of combined average income of all the owner's businesses. However, the ESB application does not clearly ask if the business owner has ownership in any other businesses. Some businesses seemed to misinterpret this question and responded incorrectly on the application.

Further, having the full administrative rules at the beginning of the application, multiple checklists and an extensive listing of NAICS codes along with the application may be daunting for potentially eligible businesses and may lessen the likelihood of them applying.

Improve and Document Practices Prior to New Software

Program managers and staff told us they are proposing a new computer system that they expect will resolve many of the workload, workflow, and processing problems we identified. Best practices for information technology call for programs to understand and document current businesses processes and functions before employing new technology. It is also important for programs to determine how technological advancement will align with strategic business decisions. The process of documenting current business procedures also produces the added benefit of determining critical functions, and uncovering and resolving inconsistencies among those processes. Correcting inconsistencies before automating reduces the risk that the information system will not produce the desired information.

Recommendations

For more timely and consistent processing of OMWESB certification applications, we recommend that the Office of Minority, Women and Emerging Small Business:

- Assess the necessity and priority of all staff tasks, and determine whether better methods can be employed.
- Evaluate methods of assigning work to better balance workload among staff, and review workflow to identify and correct points where certifications are delayed.
- Update and detail certification and administrative specialist policies and procedures, including information required and associated timelines. Regularly reexamine policy and procedure manuals to ensure that they are consistent with current needs.
- Provide notice to businesses when their certifications are being administratively closed.
- Define and track program performance measures, and design and use regular reports of key information to improve performance.
- Develop a process to capture complete and accurate data from certification files.
- Simplify and clarify certification applications. To this end, review and consider incorporating the approaches of other states.
- Additionally, incorporate these improvements into the planning and implementation if a new computer system is obtained.

Objectives, Scope and Methodology

The objective of our audit was to determine whether the Office of Minority, Women and Emerging Small Business provides timely and consistent services to businesses. We focused on state certification processes; we did not focus on federal DBE certification processing, which is reviewed regularly by state and federal transportation agencies.

To answer our objective, we reviewed applicable laws and regulations, policy manuals and related guidance, and certification applications. We also reviewed applications from similar certification programs in other states and audits conducted of them.

We interviewed program management and staff, and spoke to staff in other state entities that worked with the program, including the Oregon Department of Transportation's Office of Civil Rights, the Governor's Office of Economic and Business Equity, and the Department of Justice Civil Enforcement Division. We also spoke to the State Director of the Oregon Small Business Development Center Network. Further, we interviewed managers at the Washington State Office of Minority and Women's Business Enterprises program.

Program staff provided us with reports of activities and performance, such as certification applications received and certified. We analyzed certification activity from January 2007 through December 2011, including the number of applications received and the number certified.

We reviewed the files for a random sample of 45 certification determinations made in calendar year 2011. The sample included six types of determinations: new certifications, renewal certifications, denied certifications, decertified businesses, withdrawn applications/certifications, and administratively closed certifications. In general, we excluded federal DBE determinations. However, we reviewed all determinations associated with the sample if the applications were submitted at the same time, which at times included DBE applications. Additionally, we judgmentally selected 10 files to review for consistency of program services. Thus, testing results can not be projected to the total population. In our review, we focused on processing of applications; we did not review the appropriateness of certification eligibility determinations.

Program staff provided us with a report listing 49 potential administrative closures as of March 6, 2012. Using that report, we identified 12 businesses whose certifications were due to expire in 2011, but remained certified as of that date. We then reviewed the associated files to assess the processing delays.

We analyzed staff workload and practices, and evaluated the barriers to processing applications timely and consistently. We obtained workload reports and spoke to staff about their method of triaging and prioritizing

files, and stratified unprocessed new and renewal applications assigned to staff based on the number of days since receipt.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



September 10, 2012

Secretary of State Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

Re: Amended Response to Findings and Recommendations as a result of audit of
Office of Minority, Women and Emerging Small Business:
More Timely and Consistent Services

Enclosed is the Oregon Business Development Department's (Business Oregon) amended
response to the findings and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim McCabe", is written over a white background.

Tim McCabe
Director

TM/sm

Cc: Tim McCabe, Director, Business Oregon
Karen Goddin, Business, Innovation & Trade Division Manager, Business Oregon
Traci Cooper, Chief Financial Officer, Business Oregon
John Saris, Business Services Manager, Business Oregon
Raleigh Lewis, Business Certification Manager, Business Oregon

Response to Findings and Recommendations
Audit of Office of Minority, Women and Emerging Small Business:
More Timely and Consistent Services

Background

The Office of Minority, Women and Emerging Small Business (OMWESB) was transferred from the Department of Consumer and Business Services to the Oregon Business Development Department (Business Oregon) in July, 2009. As part of the program transition, the department began to identify areas for process improvement to improve the speed, quality and consistency of services provided to Oregon firms seeking certification. Starting in 2011, after interviewing personnel and observing program trends, management identified the need to evaluate processes and workflow to improve:

- 1) Certification processing time; and,
- 2) Overall responsiveness to certification applications and certification reviews.

Business Oregon is supportive of the Secretary of State recommendations as they are aligned with the agency's prior internal determinations. Available data shows the improvements in processing time and workflow from 2010, 2011 and year to date for 2012, and has helped identify and verify areas for improvement identified in the audit findings.

Audit Findings

Business Oregon agrees with the recommendations provided in the audit report; they align and support many of the internal findings from the 2011 assessment. The audit recommendations will be used to provide guidance to management and staff as they continue to reduce processing time and improve the customer service to the underserved business communities these programs are intended to serve. The audit findings have been reviewed and will provide guidance in the continuing improvement efforts.

Business Oregon agrees that implementation of a new software system will only create marginal improvements without a wholesale reevaluation of workload distribution, updated process manuals and ongoing performance management. The existing software is limited in its abilities and adaptability to changes in process when seeking to incorporate process changes into workflow. As a result, process improvements and recommendations are being developed to work within the limitations of existing resource constraints and will be revisited when a replacement software solution is identified and implemented.

The following provides a brief overview of how Business Oregon intends to incorporate the Secretary of State Findings and Recommendations into the existing process improvement plans:

- 1) Assess the necessity and priority of all staff tasks, and determine whether better methods can be employed.
 - The current software system is a limiting factor in this endeavor. Tasks have been historically delegated as a result of those limitations. All processes that are not impacted by technology are being evaluated. Updated process manuals have been in development and will be available to staff by November 1, 2012. The process manual will be updated again when a software solution is identified. At that time delegation of duties and responsibilities can be reevaluated using updated criterion. Processes will be prioritized to reduce processing time, improve data accuracy, and support comprehensive analysis and determinations.

- 2) Evaluate methods of assigning work to better balance workload among staff, and review workflow to identify and correct points where certifications are delayed.
 - See #1
- 3) Update and detail certification and administrative specialist policies and procedures, including information required and associated timelines. Regularly reexamine policy and procedure manuals to ensure that they are consistent with current needs.
 - See #1
- 4) Provide notice to businesses when their certifications are being administratively closed.
 - Business Oregon agrees that providing notice to a business when an administrative closure occurs would be a benefit. The concept will be vetted in the RFP for software resulting in a new task being added to existing workflow. Until workload can reasonably be shifted between personnel, this recommendation may not be able to be immediately incorporated without causing additional delays in processing applications.
- 5) Define and track program performance measures, and design and use regular reports of key information to improve performance.
 - Program monitoring will be ongoing. Continue to monitor performance measures that identify processing efficiencies and help create workflow and performance management plans. As they have in the past, these metrics will be discussed during weekly staff meetings and weekly one-on-ones between program management and staff.
- 6) Develop a process to capture complete and accurate data from certification files.
 - In preparation for a software transition, Business Oregon has begun developing a data dictionary to define data being collected in to the current database. This effort will help ensure that accurate data is captured, will assist with the migration of data into a new database and will help create a resource for applicants seeking better understanding about what information is required for an application to be considered complete.
- 7) Simplify and clarify certification applications. To this end, review and consider incorporating the approaches of other states.
 - This is being reviewed as Business Oregon is developing the RFP to update software. Other states, municipalities and contracting entities are being evaluated and best practices and policies are being incorporated into the RFP, process manuals and workflow designs to the greatest extent possible.
- 8) Additionally, incorporate these improvements into the planning and implementation if a new computer system is obtained.
 - Though partnership and with the direct assistance of leadership within the Governor's Office, resources are being identified to support the pursuit of updated technology to help facilitate the improvement of application processing. While technology itself is not the sole solution for process improvements, the considerable limitations and adaptability of 20 year old software system must be identified as a significant contributor to process and workflow limitations. Almost immediately after the transition from DCBS to Business Oregon, workflow was identified as the single biggest contributor to application processing delays. While Business Oregon has identified and improved a number of processes that have improved processing times, the software and workflow associated with this particular resource has continued to be a hindrance.

The Governor's Office and Policy Advisors will continue to be instrumental in helping Business Oregon identify resources and opportunities for process improvement. The Governor's Office, the Governor's Policy Advisors and the Unified Certification Program Partners have consistently provided feedback from a diverse group of private and public stakeholders on issues affecting application processing, eligibility

determinations and processing efficiency concepts. The support of the Governor's Office in pursuit of higher standards has helped identified resources necessary to begin implementing process improvements. The continued support of the Governor's Office and the Legislative Assembly to identify and commit the resources necessary to properly administer the programs will help ensure that the process improvements will not be drawn out incrementally over many years.

In addition, Business Oregon believes that there would be value in enhanced marketing to educate partners and the general public about the roles and responsibilities of OMWESB, although the function of OMWESB is limited to determining application eligibility for state and federal certification. The responsibility of monitoring how certified firms are being used, how contracts are being monitored for commercially useful function and how agencies, counties, municipalities and other public and private entities reporting contracting goals and contracting results does not reside within OMWESB.

Management will use this report as a tool to help guide improved performance management, update process and policy manuals, and ensure balanced workload to the greatest ability the budget and staffing resources will allow. Business Oregon remains committed to providing the highest level of service available and committed to pursuing ongoing process and workflow improvement opportunities.

About the Secretary of State Audits Division

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Audit Team

William Garber, CGFM, MPA, Deputy Director

James E. Scott, MM, Audit Manager

Karen Peterson, Principal Auditor

Wendy Kam, MBA, Staff Auditor

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phone: 503-986-2255

mail: Oregon Audits Division
255 Capitol Street NE, Suite 500
Salem, OR 97310

The courtesies and cooperation extended by officials and employees of the Oregon Business Development Department during the course of this audit were commendable and sincerely appreciated.