



CHIEF PROCUREMENT OFFICE

September 1, 2015

Mr. Tom Tyrell, Acting Director
Department of Central Management Services
401 South Spring Street, Room 715 Stratton Office Building
Springfield, IL 62706

Re: Report of Service-Disabled Veteran-Owned Small Business and
Veteran-Owned Small Business

Dear Director Tyrell:

The Chief Procurement Officers for General Services, Higher Education and the Capital Development Board submit to you the Fiscal Year 2015 report of Service-Disabled Veteran-Owned Small Business (SDVOSB) and Veteran-Owned Small Business pursuant to 30 ILCS 500 45-57(b).

The Code establishes a goal that not less than 3% of the total dollar amount of State contracts is awarded to SDVOSBs and VOSBs. The goal may be satisfied, in whole or in part, by counting expenditures made to the State's prime contractors and to subcontractors certified as SDVOSBs and VOSBs.

Each year the chief procurement officers review the progress of all State agencies under their jurisdiction in meeting the 3% goal. This review includes an evaluation of the number and value of contract awards to SDVOSB and VOSB vendors, the total number of vendors certified in the Veterans Business Program, and feedback and recommendations from statewide veterans' service organizations and the business community, which includes businesses owned by qualified veterans.

On July 22, 2015, the CPOs held a public forum attended by more than 60 people comprising SDVOSB and VOSB vendors, veteran service organizations, legislators (Representative Linda Chapa LaVia, Representative Keith Wheeler, and Samantha Marcum representing Senator Jennifer Bertino-Tarrant), state officials, and other stakeholders. Participants provided comments and suggestions regarding the operation and success of the State's Veterans Business Program. Many of the recommendations below include the forum participants' suggestions or are in response to their comments and concerns. In this forum and for the past two years, agencies and veteran representatives cite the "chicken or the egg" dilemma as the root cause of the low contract results. Agencies say "I'm not setting a veteran goal because there are not enough certified vendors." Whereas veterans say "Veteran-owned businesses won't sign-up for VBP because there are no contracting opportunities." The 138 certified vendors in the VBP and \$18.3 million in contract awards is evidence that the current outreach and goal setting strategy results in limited success.

State Agency Progress, including universities and CDB

1. Total number of veteran-owned small businesses that submitted bids for contracts = 6
2. Total number of veteran-owned small businesses that entered into contracts = 36
3. Total contract award amount = \$18,305,044

CPO General Services

There are currently 138 certified businesses in the VBP. In Fiscal Year 2015, four vendors won an award through a competitive procurement, one vendor had a contract renewed, and ten vendors received contracts via small purchases.



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CPO Public Institutions of Higher Education

In Fiscal Year 2015, Institutions of Higher Education entered into contracts with 19 VBP vendors for a total value of \$10,551,772.

CPO Capital Development Board

CDB awarded contracts or processed subcontracts to 15 unique veteran-owned small businesses through 2 prime contracts and 29 subcontracts.

Of the certified VBP firms, 82 are construction or construction-related professional service (architectural/engineering) firms. A total of 40 of these are prequalified or registered with the Capital Development Board (CDB). Prequalification is not required to participate on a CDB project as a subcontractor, which only requires registration.

For Fiscal Year 2015, certified VBP firms include the following:

	Total	Prequalified by CDB	Registered Subcontractors
Contractors	62	9	18
Architects and/or Engineers	20	11	2
Totals	82	20	20

- The total number of veteran-owned small businesses that submitted bids for contracts = 2
- Total number of veteran-owned small businesses that entered into contracts with CDB = 2
- Total contract amount awarded to veteran-owned small businesses by CDB = \$271,402
- Total contract amount awarded (incl. subcontracts) through VBP goal setting = \$5,014,207
- Total of all contracts and subcontracts to veteran-owned small businesses by CDB = \$5,337,509

52% of CDB’s entire contract amount awarded to veteran-owned small businesses was achieved on the Department of Veteran’s Affairs project to construct a new 200 bed Veteran’s Home. CDB achieved \$2,670,243 in contract awards to VBP firms on 4% goals for the General, Heating, and Electrical Trades, and 3% goals for the Plumbing and Sprinkler Trades. Without a major project of this nature, CDB will have to be vigilant setting VBP goals to attain similar achievement in Fiscal Year 2016. In the second half of Fiscal Year 2015, on projects where minority or veteran goals were set, CDB set veteran goals on 22 of 35 of these projects, demonstrating its commitment to this program.

Based on this progress review, we make the following six recommendations to be included in the Department of Central Management Services’ report to the General Assembly regarding continuing, increasing, or decreasing the 3% goal. These recommendations may be categorized as Outreach, Certification, and Contract Opportunities.

Recommendation #1 (Outreach) – Determine the Foundational Number of Potential VOSB and SDVOSB

We recommend that the Department of Veterans’ Affairs (DVA) determine, with as much certainty as possible, the number of veteran-owned businesses in Illinois and select one official source to represent the potential pool. There is no consensus across and within State officials or veteran representatives; the range of potential SDVOSB and VOSB is from 900 to 3,000 depending on the source. Having an official database allows the State to meaningfully measure the progress of vendor participation in VBP.



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Recommendation #2 (Outreach) – Increase the Frequency and Coordination of Outreach Efforts

The Program Director for AMVETS said they have never received information about the VBP until notice of the public forum. While not all veterans are members of veteran support organizations, focusing outreach efforts on these organizations should have the result of getting information to a wider audience. Focusing on these organizations can also bring forth information that may otherwise be unknown. AMVETS shared that veteran entrepreneurship may be on the rise as a federal bill to allow post-9/11 vets to use their G.I. Bill benefits as collateral for business startups recently passed in the U.S. Senate.

We recommend that DVA and CMS develop an annual marketing plan and share it with State stakeholders. Representative Keith Wheeler participated in the public forum and said that he would share information about the VBP with his colleagues in the General Assembly. Planned and shared activities should result in better execution and management.

Recommendation #3 (Certification) – Streamline the Certification Process

Veteran-owned businesses have complained about the complexity of the certification process since the program's inception. We recommend that CMS re-examine the certification process and redesign it, wherever possible, to eliminate unnecessarily burdensome steps and paperwork. Any redesign, would be shared with veteran-owned businesses for feedback. As part of the examination process, CMS should consider whether a longer-term certification would be appropriate and should also consider whether certifications issued by other organizations could be accepted.

Recommendation #4 (Contract Opportunities) – Develop a Procurement Road Map for Veterans

We recommend that CMS, DVA, Department of Commerce and Economic Opportunity, Department of Employment Security, and other small business resources work with the Chief Procurement Office to develop an easily understood, step-by-step guide for businesses seeking State contracts. State resources are available now separately to small business owners, vendors seeking government contracts, and veteran entrepreneurs. The State should reduce and combine material from the various resources to make it easier for VBP participants and others to navigate the procurement system. This guide would be supplemented by webinars and in-person seminars.

Recommendation #5 (Contract Opportunities) – Evaluate and Forecast Contract Opportunities

We recommend that CMS work with the Chief Procurement Office to evaluate the number of certified vendors registered in each commodity code and compare that to State contract opportunities within those codes. We also recommend that the "dollars subject to goal" be re-evaluated to ensure that the 3% goal is placed against the appropriate number so as to have a clear understanding of the scope of the program. CMS should develop various statistics and forecasts to help understand and manage the program.



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Recommendation #6 – Retain the 3% Goal for Fiscal Year 2016

Because we do not understand the numbers associated with the program, whether that is the number of veteran-owned businesses in the State or the number who actively participate in state contracting. Until we have a better understanding of the numbers, we cannot determine if the 3% goal should be changed. Until then, the goal set in the Procurement Code should continue.

Sincerely,

Ben Bagby
CPO Institutions of Higher Education

Ellen H. Daley
CPO General Services

Lorri Lawton
CPO Capital Development Board