



CHIEF PROCUREMENT OFFICE

September 3, 2014

Simone McNeil
Acting Director
Central Management Services
100 W. Randolph, Suite 4-400
Chicago, IL 60601

Re: FY 2014 SDVOSB and VOSB Report

Dear Director McNeil:

The Chief Procurement Officers for General Services, Higher Education and the Capital Development Board submit to you the Fiscal Year 2014 report of Service-Disabled Veteran Owned Small Business (SDVOSB) and Veteran Owned Business (VOSB) pursuant to 30 ILCS 500/45-57(b). The Code provides for a goal of not less than 3% of the total amount of state contracts to be awarded to SDVOSBs and VOSBs. The goal may be satisfied, in whole or in part, by counting expenditures made by State vendors to certified SDVOSBs and VOSBs as subcontractors.

The Procurement Code provides that each year, the chief procurement officers shall review the progress of all State agencies under their jurisdiction in meeting the 3% goal. We are required to make recommendations to be included in the Department of Central Management Services' report to the General Assembly regarding continuation, increases, or decreases of the percentage goal. The recommendations are to be based upon the number of businesses that are owned by qualified veterans and on the continued need to encourage and promote businesses owned by qualified veterans.

We worked with the Illinois Department of Veterans' Affairs (IDVA) and the Department of Central Management Services (CMS), to hold a public forum on August 19, 2014, to receive input from statewide veterans' service organizations and from the business community, including businesses owned by qualified veterans on progress of state agencies in meeting the 3% goal. At the public forum, there were approximately 38 in-person participants and 28 individuals who joined by telephone in addition to state personnel. The participants provided anecdotal reports of their individual experiences with the VBP and offered suggestions for improvements. We ask CMS to consider the following recommendations:

Recommendation 1 Continuing Efforts to certify SDVOSB and VOSB

A number of vendors commented about the limited number of certified SDVOSB and VOSB businesses.

With only 85 certified vendors, most of the commodity classifications representing the supplies and services we need are not serviced by these certified vendors. Further, in those commodity codes that are served by certified vendors, there is not a sufficient pool to have reasonable competition in the majority of those areas. As a further complication, the certified vendors are concentrated in the northern region of the State. In last



CHIEF PROCUREMENT OFFICE

year's report, we noted that IDOT had surveyed and identified 122 construction firms owned by veterans and interested in the VBP. The list of firms was provided by IDOT to the directors of CMS and the Department of Veterans' Affairs. Additionally, one vendor who spoke at the August forum indicated his research suggested there are over 2000 veteran owned businesses located in Illinois. We recommend that CMS continued partnering with agencies to identify businesses that may be eligible for certification.

Recommendation 2 Prequalifying certified SDVOSB and VOSB with the Capital Development Board

As the construction management agency for Illinois state government since 1972, the Capital Development Board (CDB) procures construction of new state facilities, such as prisons, college and university classroom buildings, mental health hospitals and state parks. In addition, CDB is responsible for renovation and rehabilitation projects at the State's 8,441 state-owned buildings containing more than 96 million square-feet of floor space.

Of the 85 CMS-certified VOSB firms, 49 are construction or construction-related professional service (architectural/engineering) firms. VOSB firms can participate in CDB construction contracts in one of two ways, either as prime contractors, which requires prequalification by CDB, or as a subcontractor. Participation as a subcontractor does not require prequalification by CDB. Professional service firms, however, must be prequalified when performing as either the primary design firm or when performing as a subconsultant.

Currently, the CMS database of certified VOSB firms includes the following:

CMS Certified VOSB Firms		
	Total	Prequalified by CDB
Contractors	39	7
Architects and/or Engineers	10	8

CDB is actively setting VOSB goals for both construction and construction-related professional service contracts. Notably, CDB set its first VOSB participation goals for the Department of Veteran's Affairs project to construct a new 200 bed Veteran's Home. The estimated construction cost of that project is \$50 million. VOSB goals were set at 4% for the General, Heating and Electrical Trades and 3% for the Plumbing and Sprinkler trades. Contract awards for this project are currently under review. It is anticipated that this single project will result in approximately \$2 million in VOSB subcontracts.

CDB conducts multiple outreach programs across the state each year. CDB has incorporated information on the veteran's program in the information provided during its outreach program. While a significant number of veteran owned construction and construction-related professional services firms are now certified, the CPO for CDB recommends CMS work with CDB in outreach efforts to increase the number of prequalified VOSB firms.



CHIEF PROCUREMENT OFFICE

Separately, the CPO for the Illinois Department of Transportation for construction and constructed related services will offer recommendations that are more unique to that industry.

Recommendation 3 Education of Program and Clear Identification of Measurement Factors

Forum participants expressed concern over what they perceived as a lack of knowledge by themselves and State procurement staff of the VBP. One participant succinctly noted that the military taught him how to navigate, what he needed was a map as the process was very confusing. Comments were raised by forum participants as to lack of clear understanding of how good faith efforts are to be measured.

CMS codified rules for the VBP in December 2013 and conducted training with State procurement staff in April 2014. In August 2014, CMS provided additional written guidance to State purchasing employees on the VBP. Amongst other things, the rules identify how good faith efforts are to be measured. See 44 Ill. Admin. Code 20.810.

We recommend CMS work to educate vendors and continue training of state procurement staff on the administrative rules for the VBP.

Recommendation 4 Simplify Certification Process

Many participants expressed frustration with the process involved in certifying their businesses. Some participants felt that the process was subjective and requested information that was intrusive and beyond that required by the Code or administrative rule. For example, a participant stated copies of personal tax returns in addition to the business tax return was requested by CMS. Participants also expressed concern that critical paperwork from CMS was not timely received or not received at all, impacting timelines the vendors had for responding to CMS' request for information.

The Code directs CMS and IDVA to work together to devise a certification procedure to assure that businesses are legitimately classified as qualified SDVOSB and VOSB. We recommend enhanced effort by those agencies to determine how the certification process may be simplified.

Report

There are currently 85 certified businesses in VBP, which is an increase from FY 13 which had 37 certified businesses. In the FY 12 report, there were 13 certified businesses in the VBP.

In FY 14, one institution of higher education and 17 state agencies purchased goods and services from SDVOSB and VOSB. The State paid 26 vendors for goods and services. Six of the 26 vendors won competitive awards.

In accordance with 30 ILCS 500/45-57(b), the CPOs report:



CHIEF PROCUREMENT OFFICE

1. Total number of veteran small businesses that submitted bids for contracts = 6 in FY 14; decrease from 14 in FY 13.
2. Total number of veteran small businesses that entered into contracts = 26 in FY 14; increase from 9 in FY 13.
3. Total contract awarded amount = \$25,639,036 for FY 14; decrease from \$32,035,991 in FY 13.

In reporting these numbers, we point out that it is an incomplete picture of the State's efforts to contract with certified businesses. The numbers reflect prime contracts between state agencies and SDVOSB and VOSBs, but do not include the amounts paid to certified businesses when they serve in a subcontracting relationship. The State does not currently have an automated methodology of tracking the amounts paid by prime vendors to certified VBP subcontractors. Likewise, there is no automated methodology of tracking the actual number of certified businesses that submitted bids for contracts, rather the CPOs base that number on the actual number of certified businesses that were awarded contracts.

Significant steps were taken in the last fiscal year to grow the VBP including increasing the vendor pool, finalizing the VBP administrative rules, statewide training for State procurement officials, and development and implementation of templates to the State's solicitations and contract documents incorporating veterans' goals.

We encourage Illinois veterans that own businesses to become certified in the VBP, as certification is the primary means for identifying the number and location of SDVOSB and VOSB and the type of supplies and services they offer. We expect to see an increase in the number and value of state contracts awarded to these small businesses as more become certified and participate in the procurement process. Although meeting the 3% goal may be unlikely at this time given the small number of certified veteran owned businesses, we recommend continuation of the goal at 3%. To that end, the Chief Procurement Officers fully support joint CPO, IDVA and CMS outreach and training efforts.

Sincerely,

Ben Bagby
CPO for Institutions of Higher Education

Matt Brown
CPO for General Services

Fred Hahn
CPO for Capital Development Board

cc: Rodrigo Garcia, Acting Director Department of Veterans' Affairs
Procurement Policy Board