



CHIEF PROCUREMENT OFFICE

August 31, 2016

Mr. Mike Hoffman, 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 Hoffman:

The Chief Procurement Officers for General Services and Higher Education submit to you the Fiscal Year 2016 report of Service-Disabled Veteran-Owned Small Business (SDVOSB) and Veteran-Owned Small Business pursuant to 30 ILCS 500 45-57(b).

Based on the findings in this report, we recommend continuing the 3% goal as a means of focusing efforts on contracting with the veteran owned small businesses.

Each year, the chief procurement officers (CPOs) review the progress of all State agencies under their jurisdiction in meeting the goal of awarding not less than 3% of the total dollar amount of State contracts to SDVOSBs and VOSBs. This year, that review focused on the success of the 132 certified Veterans' Small Business Program (VSBP) businesses in bidding and winning state contracts. We also considered responses to an online survey.

Procurement Awards

The following information reflects awards published on the General Services' volume of the Illinois Procurement Bulletin (IPB). These include awards procured via competitive selection, sole source, or an emergency procurement method. This does not include small purchases as that information is not published on the IPB. Additionally, this does not include awards for construction by the Department of Transportation or Capital Development Board (this information is available from those respective CPOs). Information regarding contracting by Higher Education is in another section of this report.

In FY16:

1. Number of veteran-owned small businesses that won awards = 3
2. Number of awards won = 7
3. Value of awards won = \$1,449,669

The dollar value of the awards published to the IPB dropped from \$18.0 million in FY15 to \$1.4 million in FY16.

The State Board of Education awarded 4 of the 7 published contracts to Anchor Data Systems, a software consulting company. The awards had a value of \$1,109,522. The Toll Highway Authority awarded Herlihy Mid-Continent Company two construction contracts valued at \$146,174 and Central Management Services awarded John Keno Company, a firm that provides construction safety equipment, a \$193,412 contract.



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Filed Contracts

In addition to the published procurement awards, we obtained information from the Office of the Comptroller about filed contracts with a face value greater than \$20,000. The purpose was to examine whether the 7 published awards led to filed contracts and whether additional contracts procured as small purchases were filed. This would provide additional insight into the contracting activity with VBP firms.

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1. Number of veteran-owned small businesses that had contracts filed = 3
2. Number of contracts filed = 30
3. Value of filed contracts = \$60,501,752

Anchor Data Systems had 4 published awards and 3 filed contracts valued at \$454,176. Herlihy Mid-Continent is a large highway construction firm with 2 awards from the Toll Highway Authority and 23 awards from the Illinois Department of Transportation. Herlihy had 25 of the 30 filed contracts and 99.2% of the filed contracts' \$60,501,752 value. John Keno Company had a contract filed at a value of \$24,550.

24 of 30 contracts filed with the Illinois Comptroller were for construction firms. Anchor Data Systems, The Ross Agency, and Solvent Systems International are the only non-construction firms with newly filed contracts. Their six contracts are valued at \$701,576 or 1.2% of all contracts.

Vendor Payments

We looked at payment data from the Office of the Comptroller to see if veteran-owned small businesses had received payments for goods already provided or services actually rendered. Since the VBP firm has already expended resources, this data is in some ways more meaningful than awards won or contracts filed. Payment data also gives some insight into the goods and services provided to the State that are under \$20,000.

1. Number of veteran-owned small businesses that received payments = 17
2. Value of payments = \$45,992,585

Alpha Lab Supplies Incorporated, 3rd Coast Imaging, Anchor Data Systems, The Ross Agency, and Solvent Systems International are the only non-construction firms that received payments. Their combined payments of \$523,469 represented 1.1% of total payments. 12 of 17 firms that received payments from the Illinois Comptroller were construction firms.

Based on vendor payments and the number and value of filed contracts, construction firms are the most active type of veteran-owned business. This may be partially due to the fact that there are more veteran-owned firms in the construction industry than any other; roughly 50% of the businesses certified in the Veterans' Business Program are construction-related. Additionally, in a year when there was no state budget, construction firms received more timely payments from the Toll Highway Authority and Department of Transportation due to the less restricted nature of their funds.



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Online Survey of Certified Veteran-owned Small Businesses (attached)

- Survey opened on 7/22/2016
- Survey closed on 8/10/2016
- Survey link emailed to 125 of 132 certified businesses; 7 firms did not have an email address listed in the veterans' database
- 4 emails were returned undeliverable
- 121 potential respondents
- 24 actual respondents (19.8% response rate)

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The online survey used SurveyMonkey® software and contained 9 multiple-choice questions. None of the questions were mandatory and could be skipped without affecting the ability to complete other questions. Four questions permitted the respondent to provide additional comments. The survey results are attached to this report.

Most respondents have been actively engaged in state procurement as evidenced by 87.5% registering on procurement bulletins and the Illinois Procurement Gateway, 66.7% bidding on state contracts, and 70.8% being a prime or subcontractor. 60.9% believe the State has been helpful in understanding state contracting and the Veterans' Business Program (VBP), but 58.3% believe the VBP certification process is fairly difficult or difficult. Many of the comments that Respondents provided are reflected in the recommendations below.

Higher Education Contracting with Veteran-Owned Small Businesses

While exempt from 3% state contracting goal established in 30 ILCS 500/45-57, the Chief Procurement Officer for Higher Education encourages the State's public universities to contract with Veterans' Business Program (VBP) vendors. In spite of the low number of vendors registered in the VBP and the geographical challenges of the universities, 25 contracts were entered into in Fiscal Year 2016 with a value of \$10,759,149.

Recommendations

In addition to retaining the 3% goal, we make the following four 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 or Contract Opportunities.

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

We recommend that the Department of Veterans' Affairs (DVA) select one official source to represent the potential number of veteran-owned businesses in Illinois. There is no consensus across and within State officials or veteran representatives. Having an official database allows the State to meaningfully measure the progress of vendor participation in VBP.

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

We recommend that DVA and CMS develop an annual marketing plan to include a goal of increasing new vendor enrollment, and share them both with stakeholders.

Recommendation #3 (Contract Opportunities) – Evaluate Contract Opportunities and Participation

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, including determining level of interest of SVBP vendors.



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Recommendation #4 (Contract Opportunities) – Facilitate Matchmaking Opportunities

We recommend that DVA and CMS create opportunities, both online and in-person, for veteran-owned small businesses to meet current and potential prime contractors within their industries. These “matchmaking” events will give the veteran-owned firm immediate contacts with primes, increased exposure for their businesses, and may lead to future subcontracting opportunities.

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Sincerely,

Ellen H. Daley
Chief Procurement Officer for General Services

Ben Bagby
Chief Procurement Officer for Higher Education

Survey of Certified Veteran Owned Small Business Firms (8/9/2016)

1 Which procurement bulletins are you registered in? Select all that apply.

12	50.00%	IPB GS
11	45.83%	IPB HE
7	29.17%	IPB DOT
12	50.00%	IPB CDB
13	54.17%	IPG
3	12.50%	None

58

24 respondents

2 Since being certified in the Veterans' Business Program, have you submitted a bid for a state contract?

16	66.67%	Yes
8	33.33%	No

24

24 respondents

3 If yes, how many bids have you submitted?

3	18.75%	1-3
4	25.00%	4-8
9	56.25%	9 or more

16

16 respondents, 8 skipped

4 If no, why haven't you submitted a bid? Select all that apply.

6	85.71%	not aware of the opportunities
0	0.00%	already have enough work
0	0.00%	too much bureaucracy
1	14.29%	payment uncertainty
1	14.29%	contract dollar amounts are too large
1	14.29%	contract dollar amounts are too small
1	14.29%	no opportunities in my market location
0	0.00%	concern regarding the fairness of awards
2	28.57%	not enough advance notice to prepare bids

12

7 respondents, 17 skipped

5 Since being certified in the Veterans' Business Program, have you participated (as prime or sub) in a state contract?

3	12.50%	Yes, I was a prime contractor
10	41.67%	Yes, I was a subcontractor
4	16.67%	Yes, I've been both a prime and a subcontractor
7	29.17%	No

24

24 respondents

6 In your opinion, what would most encourage you to submit bids as a prime or subcontractor? Select all that apply.

4	19.05%	reduce bonding/insurance requirements
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6	28.57%	reduce the time between bid to award
6	28.57%	provide more time to respond to solicitations
5	23.81%	provide more information in the solicitation
10	47.62%	reduce the time to receive payment
10	47.62%	provide more matchmaking opportunities between primes and subs

41

21 respondents, 3 skipped

7 Has the State been helpful to you in understanding state contracting and the Veterans' Business Program?

14	60.87%	Yes
7	30.43%	No
2	8.70%	I'd like to share some specific recommendations/comments

23

23 respondents, 1 skipped

8 How challenging was the registration/certification process to become a Veterans' Business Program participant?

2	8.33%	Easy
8	33.33%	Fairly Easy
7	29.17%	Fairly Difficult
7	29.17%	Difficult

24

24 respondents

9 Would you like to share additional comments about State Contracting and the Veterans' Business Program?

12	50.00%	No
1	4.17%	Yes
11	45.83%	Comments (please elaborate)

24

24 respondents

10 Please provide your name and contact information.

24	100.00%	Name
24	100.00%	Business Name
24	100.00%	Email Address
23	95.83%	Phone Number

24 respondents

Q4

If no, why haven't you submitted a bid? Select all that apply.

Have bid only as a sub-contractor to general contractors. We've given our rates to some consultants but after a lot of interest last February we have not heard anything from anyone. I have been told by a minority consultant that the "veteran thing is not really going".

I don't think I'm receiving all the 'bulletins' or notices. And that those notices are geared toward the work we perform.

It is difficult for small business to serve as the prime for many of these contracts. It seems that the sub-contractor service opportunities are limited and generally, prime contractors are looking to procure goods / materials rather than services.

We have not responded for 2 main reasons: -We have not established a strong relationship as of yet with any Prime contractors who would be bidding. We are not large enough to Prime an engagement and do have yet have the references/experience to win a bid at this time without partnering. We will continue trying to establish these and expect we should be able to bid on business within the next year. -Even if we were able to Prime an engagement, we don't fully understand how to complete a response. We do understand that making a decision involves having all of the information, but as a small company who is new to this, the requirements feel "overwhelming".

Q6 In your opinion, what would most encourage you to submit bids as a prime or subcontractor? Select all that apply.

I am a real estate appraiser. All of the jobs for appraisals are within a larger project such as engineering so that my field rarely has the opportunity to be set as prime. Your website makes it difficult to locate bids and printing is not available.

We would be happy to bid if the opportunities are there. We requested railroad qualification seven months ago and never heard anything. We got the survey qualification after three months.

We are very happy to have been selected as a sub consultant on several professional services (engineering) contracts for the Illinois Tollway. Unfortunately, we have received feedback from many Prime Contractors that since there is no mandate for the involvement of Veteran Owned Small Businesses on IDOT bulletins, that there is no reason for them to include our firm on their teams.

Outreach that is relative to opportunities across agencies. To include the manner in which different agencies procure. And, maybe this can be provided in a format for: services, construction and then small and medium size businesses. I am willing to help provide information on what formats would be beneficial to small business. Thanks.

Currently, I am unaware of any opportunities or bulletins to identify opportunities. If I knew where to look, it would help a lot.

More of a willingness by prime contractors to work with service providers. Generally, they are only looking to procure goods / materials.

The state should regulate the Prinze more to stop the lying that they do when they say they can't find veteran companies

It would be helpful if you would provide more opportunities for Vets to introduce themselves to the decision-makers at state agencies. This works well when an agency hosts a Vets-only workshop where the rules are explained and a Q&A session is held. Also, the feds just restructured FAR 52.219 to allow multiple VOBs to team to meet the 50% threshold for priming a contract. If the state would do the same then more Vets would attempt to prime A/E bids. Most of us are small businesses so we can't prime and win.

Create a VBP bid incentive program (see comments at the end)

A Veteran Business Price Incentive would also encourage my company to pursue more bids as a prime -A realistic subcontracting goal (above 3%) would encourage my company to entertain more invitations to serve as a subcontractor (we have had many situations where Primes approached us about doing the minimum 3% of the total contract, which would put us in a break-even or loss position after considering the time and cost associated with allocating a solid resource for, for example, 70 hours of work on a 1-year project encompassing over 2,000 hours of work -Agencies routinely setting goals on contracts (beyond just the Tollway and CMS, and the few other agencies who have set goals on some of their solicitations) whenever there are 2 or more Veterans Business Program participants available to do the work would encourage my company to pursue more work as both a prime and a subcontractor -- transparency in agency-level procurement rules and policies for Veteran Business Program goal-setting would enable my company to better identify those solicitations that should have VBP program goals set, request that goals be added to solicitations in accordance with those policies, and thus get more involved in pursuing appropriate contracts as a Prime or Sub --Allowing me, as a Veteran Business Program participant to qualify for the BEP program, and thus meet BEP goals on contracts with both VBP and BEP goals through self-performance, would make opportunities to pursue contracts as a Prime more attractive -- Participation as a Protege with a larger company in a formal Mentor-Protege Program would equip my business with the resources, capabilities and scalability to participate as a Prime or Sub in more solicitations

As a IT resource provider, I find it difficult to both locate and keep a potential candidate available during what is often a several month long bid through award process. Available candidates need/want jobs as soon as you find them and often can't wait several months for the possibility of employment. Often times a qualified candidate is no longer available by the time the award comes. Other states include a timeline in the RFP with dates for each milestone in the procurement process that includes an anticipated award date. The current process in Illinois is a black hole. I would like to see the process happen faster as well as including procurement milestone dates in the RFP and holding the agencies accountable to those dates.

Q7 **Has the State been helpful to you in understanding state contracting and the Veterans' Business Program?**

We have not actively sought out any mentoring from the VBP. Would recommend hosting events geared towards marketing, invoicing, and doing businesses with the various agencies to assist VOSBs attempting to do business with the State of Illinois.

I know this program is new and it takes time to develop, staff properly and ensure the word gets out to Veteran owned firms. That being said, here are some thoughts: 1. Engage with Veteran organizations, Elite SDVOSB, the Bunker, etc. 2. Develop outreach in the form of maybe Quarterly events and a website with clear information for each vendor type. 3. Set-asides for Veteran Owned small businesses. 4. Incentive for Veteran JV or Veteran bids on projects.

It seems like this program pays lip service to veterans rather than really being interested in finding them opportunities. I can tell you that MBE/WBE programs get jammed down our throats regularly even when no MBE/WBE contractors exist, but there is absolutely nothing put on Veterans Business programs.

We have not strongly benefited from being VOSB as far as landing more projects. There seems to be more ways for "exemptions" under the current process. However, the State has been in dire straights so all of our work stopped - then was cancelled. We are proud to be recognized as veteran owned but the business climate has not been friendly due to budgetary stress. We will continue to apply and hope to be considered for new work. thank you.

Yes - the state has been helpful. There are few that know the program is available and even fewer with the knowledge and resources to complete the application alone. Midwest Business Consulting has been working through the CBDC (via the Tollway) to help Veterans get certified.

The State hasn't been particularly helpful. For example: There is no centralized location to receive information for doing business with the State, particularly under the Veterans Business Program. I wasn't aware of the additional portals, beyond the general Illinois Procurement Bulletin, mentioned in this survey, and have been unable to locate information on these through resources like <http://www.illinois.gov/cms/business/Pages/default.aspx> . We are registered for a Higher Education portal, but it isn't clear whether this is the same thing. We need a centralized place to learn about these registrations or, better yet, a single portal at which to register that will provide access to solicitations from every agency in the State. Similarly, while I have been hearing about a transition to BidBuy, no clear details on what that system will do, how vendors will use it, and when it will be used, have been disseminated. Central Management Services, which handles the Veterans Business Program, did not issue any kind of notification that my own business's registration/certification was expiring. I was fortunate to have noticed this and get our renewal in before the certification could lapse, but I'm sure other businesses are dropping out of the database if they are not receiving renewal notifications. It isn't clear who the main point of contact at CMS is now for the Veterans Business Program.

Q9 Would you like to share additional comments about State Contracting and the Veterans' Business Program?

Open more opportunities to more markets and create a Veteran only set-aside like the federal government. If the state says its doing a lot for veterans, then DO IT!

At this point, the Veterans' Business Program does not appear to exist.

Vinram WadeBey from the Business Enterprise Program at CMS certified our business and made a daunting task manageable. He was fast, thorough, accessible, and processed our certification in an expeditious manner that allowed us to pursue a winning subconsultant contract. Thank you sir!

Hopefully, now that the State has a least a temporary budget, there will be more opportunities and solicitations for construction and construction related services which is reason I established my VBE two years ago. These opportunities have been all but non-existent the past 18 months. Thank you for allowing my input, JE

Very much appreciate the resources and efforts behind the program. Thanks!

The State could save time & money for both VOSB's & taxpayers by eliminating the state certification process and recognizing the US VA's certification. The state process was contentious and time consuming, while the VA's system collects much of the same information but is much more efficient and user-friendly.

The registration and certification process is not clear on the website. On two occasions now, I have followed what is on that site only to be told I sent the wrong information.. The first time I had to go to the State of Illinois building to get the correct answers only to be told I was wrong and had no idea what I was doing. This trip was a frustrating nightmare of government bureaucracy. I am well educated and very capable of following directions The website is still unclear about what forms need to be filled out and what needs to be done.

I think this is a great program and I'm eager to see more businesses become certified so that the program gets some additional traction.

A veteran company should also fall under minority. so they could get more of a contract and the primes can't lie and say they can't find veteran companies. They just don't want to pay a fair wage.

ProAlliance sells dental and medical equipment. Honestly, being registered in the VBP has provided little to no benefit. In the 2+ years we've been registered there has only been one solicitation that included the veterans business goal (although requests were made to add the goal on a number of solicitations). Unfortunately, that one solicitation with the goal was cancelled. All other bids have been for small purchases through the small business set aside program (my answer to question 3 is misleading - I've submitted more than 9 bids but none have been under the VBP - I just happen to be a VBP company). With those SBSP bids, there is no benefit given to a veteran owned business. It's simply lowest cost and we're competing with a number of companies that are significantly larger than us which, in turn, are able to offer better prices. I've recommended it numerous times - to help the new, small, veteran owned business compete there needs to be a bid incentive such as that in the Federal space. For example, to help develop and grow HUBZone companies, they receive a 10% bid incentive. This should be adopted for VBP companies, at least for a period of time. It will provide an incentive for companies to register in the VBP and it will help these small companies create some success. In summary, as it currently stands, there has been little to no benefit being registered in the VBP. And that's unfortunate.

The program is great and as a structural engineer who owns a design firm, we have greatly benefited from participating in it.

RECOMMENDATIONS: • ensure that informational resources are comprehensive, accurate, easy-to-find, and up-to-date. For example, the Veterans Business Program is still described as "Pending" and is labeled as the "(Veterans' Small Business Program)" at <http://www.illinois.gov/cms/business/procurement/Pages/default.aspx>. Similarly, why is the "new legislation" referenced on http://www.illinois.gov/cms/business/sell2/Pages/Laws_Regulations.aspx from over five years go? • establish a bid preference Veterans Business Program participants • establishing State-wide rules that require goal-setting based on clear criteria (the Toll Highway Authority's approach to this is a good model) • Uniform goal-setting among all agencies (the Toll Highway Authority is the only agency that appears to regularly establish VBP goals, followed to some degree more recently by CMS, and I regularly see solicitations from other agencies without VBP goals for which there is clearly a competitive pool available within the VBP database) • Revising domicile requirements to include veteran owned businesses with employees and facilities based in Illinois, but for which one or more of the veteran owners may reside in a bordering state. • Establish Mentor-Protégé Program • Revise BEP requirements to enable Inclusion of VOB/SDVOB businesses in the State's BEP program