

Illinois Office of Comptroller's
SMART Business Illinois Report
Fiscal Year 2021

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Executive Summary

The following is the fiscal year 2021 report of the State Comptroller Minority Contractor Opportunity Initiative (Public Act 100-0801).

This report highlights SMART Business Program accomplishments, initiatives, and the challenges the program faced during FY2021. It demonstrates how the program works and provides an update on the management of the program to ensure that it is transparent and accountable.

The core mission of the initiative is to promote opportunities through outreach, counselling, and education. The approach of SMART Business Illinois encourages small businesses, minority-owned and women-owned businesses, and businesses owned by persons with disabilities to register and prepare for certification and build up their business potential to enable them to pursue a variety of contractual opportunities.

The procurement process for the State of Illinois is overseen by the Executive Ethics Commission, with contracting opportunities posted on the Illinois Procurement Bulletin. Each individual agency handles the specifics of its own procurement process. Specifics regarding procurement are handled individually at each agency. Because these procedures are managed by various state agencies, consolidation of information in the Illinois Office of Comptroller is valuable to interested vendors. However, consolidation of information to adequately track and identify businesses within targeted populations that were successful in receiving contracts has been a challenge.

To address these challenges in 2017 per Public Act 100-0801, the Illinois Office of the Comptroller advocated for the following revisions to the statute governing the program:

- (1) Reports from the State Comptroller Minority Contractor Opportunity Initiative are to be submitted with information from the preceding fiscal year rather than calendar year.
- (2) The Attorney General, Secretary of State, Comptroller and Auditor General aspire to achieve the same 20% goal that state agencies have set to award contracts to businesses owned by women, minorities, and persons with disabilities, in accordance with provisions of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act; and
- (3) Places the Comptroller or his or her designee on the Business Enterprise Program Council as an advisory member.

In 2018, an intergovernmental agreement was signed between the Illinois Office of Comptroller, Central Management Services, and the Executive Ethics Commission. The agreement was designed to ensure that all information regarding awarded contracts is accessible and aligns with payments issued by the Illinois Office of Comptroller. The agreement made IOC, CMS, and the Executive Ethics Commission agencies collaborate and ensure that Federal Identification Numbers (FEIN) were used to identify and provide a total of SMART Business Illinois participants that received contractual awards.

In 2020 additional efforts to improve reporting procedures included the following:

- (a) IOC completed the SMART Business Minority Contractor Initiative dashboard and added several additional data tracking amendments.
- (b) By Executive Order, the Business Enterprise Program (BEP) managed by CMS acquired an electronic monitoring and tracking system for BEP- certified subcontractors engaged in State procurements. This system known as DCMS is not fully automated but complete data interface will be available in the future.
- (c) The new system alongside other minor revisions enable IOC to identify specific payments made to SMART Business and BEP prime contractors routinely.
- (d) The office of the Comptroller built a website that aligns all the data; this will be launched publicly later this year.

As of January 1, 2022, the BEP program was removed from CMS (Central Management Services) and moved into the Commission on Equity and Inclusion (CEI) pursuant to 30 ILCS 5754f(4).

According to the BEP Fiscal Year 2021 Annual Expenditure Report, 'BEP assessed the State's prior performance and determined that a new goal-setting methodology was necessary. The new methodology allows the State to set more feasible BEP goals. The BEP goal is set by taking the number of BEP-certified vendors registered in the commodity codes related to the scope of work and dividing it by the total number of vendors in the commodity codes related to the scope of work to determine the percentage of BEP vendor availability (BEP Vendors/All Vendors). The new formula change will positively impact goal setting and increase opportunity for BEP vendors going forward. Operational Accomplishments Compliance The Compliance Unit launched numerous statewide trainings on the new goal setting methodology internally and externally. Compliance also conducted statewide vendor outreach trainings to assist BEP vendors in the state procurement's Utilization Plan process. These trainings have demonstrated an increase in the number of responsive Utilizations Plans submitted by BEP vendors.'

Background

The State Comptroller Minority Contractor Opportunity Initiative was proposed by former Comptroller Judy Baar Topinka and signed into law in August 2011. It was created to provide greater opportunities for minority-owned businesses, female-owned businesses, businesses owned by persons with disabilities, and small businesses with 20 or fewer employees in the State of Illinois. Under the initiative, the Illinois Office of Comptroller is responsible for outreach, education, notification, an online database, and the total paid in contracts to the businesses noted above.¹

A reading of the debate of Senate Bill 269 (enacted as Public Act 97-0590) in the House of Representatives shows the intent of the law is to increase participation in state contracts among minority-owned and women-owned businesses through education and outreach, and through annual reports produced by the Illinois Office of Comptroller, with the goal of boosting success rates through activity at “small-business and minority business conferences, international trade seminars, and other events.”² Although the Illinois Office of Comptroller has been successful in attending, coordinating and participating in various outreach and education events, a major problem this program faces is obtaining accurate data on contractual awards to small-business owners, minority and women business owners, and persons with disabilities who are business owners.

In prior years, the Illinois Office of Comptroller used data from the Illinois Procurement Gateway and the Business Enterprise Program Council run by the Department of Central Management Services, now, the Commission on Equity and Inclusion. The data did not provide adequate information to enable the SMART Business Illinois program to accurately report an overview of how much was paid by each executive agency. This made it impossible to fully identify the percentage of the amounts paid to small businesses, minority-owned and women-owned businesses, and businesses owned by persons with disabilities, or identify the challenges faced by individual agencies.

To address this, the Illinois Office of Comptroller made an intergovernmental agreement with the Department of Central Management Services and the Executive Ethics Commission. This allowed both agencies to share pertinent information that assisted the IOC in providing data on amounts paid by each agency to contractors. It provides a general overview of payments to small and minority businesses and those owned by people with disabilities, but it does not provide details on awards given to all certified businesses.

To be more efficient, the Illinois Office of Comptroller created an internal dashboard where all clients can register online for the program and client interactions are monitored, maintained,

¹ Public Act 97-0590.

² Senate Bill 269, House debate transcript, May 31, 2011.

and updated by staff. In addition, in line with the IOC's commitment to be accountable and transparent in its reporting, a public-facing Minority Contractor Initiative database may be launched in 2022. This database will fulfill the statutory requirement of the Minority Contractor Opportunity Initiative and enable agencies and the public to run financial reports for minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses that have received contractual awards.

Under Illinois State Comptroller Susana Mendoza, the Illinois Office of Comptroller has continuously worked to make the program more relevant to small/minority business owners while taking a proactive approach across the state to promote and provide technical assistance to small and minority businesses on how to get certified and do business with the State of Illinois. To date, information about the program and registration is now accessible online. Additionally, trained staff are giving virtual presentations in all regions of the state, and the newly created online internal dashboard enables staff to respond quickly to queries. Within this system all information is easily accessible for IOC staff and is actively provided to CMS for reporting purposes. Staff has also been able to attend virtual events such as business expos. These efforts allow the Minority Contractor Initiative to be closer to realization of the statute's original intent.

Statutory Authority

15 ILCS 405/23.9 charges the Illinois Office of Comptroller with preparing and submitting a report to the Governor and the General Assembly regarding the progress of the initiative for the preceding fiscal year.

The Illinois Office of Comptroller is required to report the following:

- The total amounts paid by each executive branch agency to contractors since the previous report (statement of amounts).
- The percentage of the amounts paid to minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities and small businesses (statement of amounts).
- The successes and the challenges faced by the Illinois Office of Comptroller in operating outreach programs for minorities, women, persons with disabilities and small businesses (achievements and challenges).
- The challenges each executive branch agency may face in hiring qualified minority and woman employees, employees with disabilities, and small business employees and contracting with qualified minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses; and
- Any other information, findings, conclusions, or recommendations the Comptroller deems appropriate.

The statute requires the Business Enterprise Program Council to provide the Illinois Office of Comptroller with names, FEINs, and designations of BEP certified vendors. The Business Enterprise Program Council maintains and certifies a list of businesses legitimately classified and certified as owned by minorities, women, or persons with disabilities.

Achievements

The primary objective of SMART Business Illinois is to increase participation in the procurement process by minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses with 20 or fewer employees.

The vision of the program is to be recognized as a business initiative that provides one-on-one support to these businesses, helping them access the state's procurement opportunities. Over the years, the IOC has implemented a variety of initiatives to improve the program; this includes a technology working group with CMS, a working group with CMS and DOIT, increased outreach efforts across the state, and giving presentations in Polish and Spanish.

The program recognizes the need to continuously adapt to the complexities of procurement and is committed to implementing and coordinating efforts for a diverse and innovative approach to business development.

Outreach achievements include hosting events where members of disadvantaged communities engaged and interacted with staff, increasing their access to the program, and increasing awareness on other programs and services. Staff participated in peer-to-peer speaking engagements and events with partner agencies, such as the departments of Commerce and Economic Opportunity and Veterans Affairs, Commission on Equity and Inclusion, Illinois Department of Innovation and Technology, chambers of commerce, colleges, universities, community colleges, and community groups. Staff also attended virtual events such as the City of Chicago Remote Small Business Expo, Women's Business Development Center's Grow Your Business Virtually, Small Business Administration's Kickstart Webinar, Chicago's Corporate Coalition's Reducing Economic Inequities, Business Leadership Conference Expo, University of Illinois Procurement Virtual Construction Summit, and the Chicago Minority Supplier Development CBOF54 Fair.

Outreach Events in Fiscal Year 2021

In fiscal year 2021, all meetings and interactions were conducted virtually. The staff hosted 37 virtual events such as SMART Business Illinois program introduction meetings with clients that are informal training and consulting events with small business owners. The program received 71 new applications and continues to consult and assist 227 existing clients. Staff was also able to encourage clients to participate in the FastTrack Certification. The certification is valid for one year. It is a streamlined process that allows vendors to apply for BEP certification by showing proof of certification from either Cook County, City of Chicago, Chicago Minority Supplier Development Council, Mid-States Minority Supplier Development Council, or the Women's Business Development Center. The FastTrack Certification is then reviewed by BEP prior to approval. The current processing time is seven business days. This streamlined service is highly valued by SMART Business clients.

Despite the pandemic continuing through 2021, IOC staff worked regularly with other agencies to serve minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses. The joint working and interagency networking significantly improved the level of participation in the program.

Challenges

Public Act 100-0801 puts emphasis on the amount paid to contractors who qualify and are certified as minority-owned businesses and women-owned businesses, businesses owned by persons with disabilities, and small businesses. The Illinois Office of Comptroller maintains the fiscal accounts of the State of Illinois and issues payments to individuals and businesses; IOC can identify outgoing payments for state contracts. With the various updates mentioned earlier in this report such as the acquisition of DCMS and the IOC dashboard, IOC is well positioned to research payments made to qualified vendors, as well as overall contract spending out of each agency. All payments made to the prime(s) on contracts with a BEP goal are imported into the DCMS for contract payment record assignment. The primes will receive an email notification of the Comptroller payment made to them and recorded in the DCMS system. The primes are required to pay their subcontractors and enter this payment information into the DCMS. Therefore, all payments made to the prime(s) on contracts with a BEP goal are imported into the DCMS for contract payment record assignment as only the prime contractors receive email notification of the Comptroller payment made to them. This does not include any sub contractual information that are mostly minority owned/women-owned businesses.

This and other challenges faced by minority businesses led the Black Legislative Caucus to try to address the issue by launching legislation for more economic diversity. Public Act 101-0657 included the following recommendations:

- Increase in BEP goal percentages;

- Diverse membership requirements for labor organizations;
- Proportional economic representation in all state contracts;
- Changes to bid scoring; and
- Prohibits contract renewal if vendor fails to meet its utilization plan goal or show good faith in achieving it.

With this legislation in play and the various gaps in reporting data previously noted, the Illinois Office of Comptroller has expanded its efforts as an advisor on the Business Enterprise Program (BEP) Council and is working closely with other agencies to review and revise the certification process so that it will fulfill the intent of the law and provide a streamlined process that will improve the reporting process for the program and increase BEP goals in its entirety across the board. This has resulted in considerable redevelopment of the program and a revision in the requirements for certification.

Although the creation of a database for all contractual payments and the IOC web-based, public-facing database is an improvement for reporting and accountability, it does not track payments to subcontractors. Subcontractors are paid by the primary contractor, who is paid by the State per the awarded and agreed upon contract. Most SMART Business-certified vendors fall into the category of subcontractors, making it difficult to trace the disbursement of funds. This is still a major obstacle for transparency in reporting as the necessary information will not be readily available.

State agencies' individual processes for collecting data present another challenge. Collecting and analyzing data accurately is difficult due to multiple sources and formats. Agency employees still need to call each subcontractor to verify payments and amounts, then compare the payments and amounts against the contracts awarded to the primary vendors. Collecting this detailed data creates additional delays in the program. Many agencies' financial systems and technologies relating to procurement do not align with each other, making it difficult to connect and analyze accurate data. Technology upgrades are needed throughout state agencies to identify, coordinate, and improve access to information.

Additional challenges identified by the Illinois Office of Comptroller include:

- Poor dissemination of information regarding changes in the procurement process;
- Lack of coordination among state agencies to identify barriers and challenges for minority-owned businesses and women-owned businesses, businesses owned by persons with disabilities, and small businesses; and

- The Business Enterprise Program Council grants exemptions for larger contracts that cannot be fulfilled by qualifying minority-owned businesses, women-owned businesses, or businesses owned by persons with disabilities. This information is not publicly available from the Business Enterprise Program Council, nor is it available on agency websites. Without access to an exemption list, it is difficult to narrow the overall spending per agency to achieve the Dollars Subject to Goal.

Findings and Conclusions

Despite these challenges, it is important to note that during the last five years The SMART Business Illinois program and IOC has greatly improved its internal monitoring process. All background information for outreach efforts and businesses contacted and assisted is up to date and easily accessible. Managing and accessing data is still a challenge, however; it is evolving, and IOC is more confident in its reporting procedures. The in-house dashboard and the webpage along with the daily dissemination of data from the DCMS portal allows the reporting process to be more accountable.

However, the fact that prime contractors are required to pay their subcontractors and enter this payment information into the DCMS makes tracking very difficult for IOC in a timely manner. There are various discussions taking place to address or identify what can be done to expedite data collection and tracking. However, it is important to note that most of the challenges are external factors over which the IOC has limited or no control.

The enactment of Public Act 101-0657 is transformative for economic diversity and accountability, and IOC is working to ensure that it aligns with the additional requirements.

Other challenges include the need for more transparency in the procurement and bidding process. Although CMS and the CPOs have made significant changes to the procurement bulletins and updates there is still a need for more oversight of exemptions for larger contracts.

A major disconnect under discussion is the need to obtain accurate details of the amounts paid by each executive branch agency to subcontractors, and the percentage of the amounts that were paid to minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses. Since this aspect is self-reported by subcontractors it is an ongoing challenge to compile and analyze the information for quarterly or annual reporting.

The Illinois Office of the Comptroller is committed and will continue to foster and coordinate interagency collaboration to help resolve challenges to ensure that minority-owned businesses, female-owned businesses, businesses owned by persons with disabilities, and small businesses with 20 or fewer employees in the State of Illinois have equal access to procurement opportunities in the State of Illinois.