

Illinois Office of Comptroller's
SMART Business Illinois Report
Fiscal Year 2019

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**Note: Due to the challenges encountered in gathering the data necessary for a complete report that follows the legislative intent of the State Comptroller Minority Contractor Opportunity Initiative, the Illinois Office of Comptroller has determined in good faith that complete and verifiable data for fiscal year 2019 is unavailable at the time of this report. These challenges and the steps the IOC continues to take to address data deficiencies are explained further throughout the following text. The Illinois Office of Comptroller will continue working to obtain this data for future reports.*

Executive Summary

The following is the fiscal year 2019 report of the State Comptroller Minority Contractor Opportunity Initiative (Public Act 100-0801).

The core mission of the program is to promote opportunities through outreach, counseling and education. The program's staff outline and clarify state certification and procurement procedures and support applicants through the various processes.

The procurement process for the State of Illinois is overseen by the Executive Ethics Commission, with contracting opportunities posted on the Illinois Procurement Bulletin. 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 that were successful in receiving contracts has been a challenge.

The approach of the SMART Business Illinois program 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.

In 2018, the Illinois Office of Comptroller advocated for the following revisions to the state statute governing the program:

Per Public Act 100-0801

- (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) Requires the Attorney General, Secretary of State, Comptroller and Auditor General to 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.

Additionally, an intergovernmental agreement was signed among the Illinois Office of Comptroller, Central Management Services and the Executive Ethics Commission. This agreement is designed to ensure all information regarding awarded contracts is made

accessible and align with payments issued by the Illinois Office of Comptroller. The agreement would also show how many SMART Business Illinois participants received contractual awards. Though the agreement is progress, several additional data tracking amendments must be added for the program to fully report on the intent of the law. It is anticipated that additional intergovernmental agreements will be initiated with the Business Enterprise Program to provide comprehensive information for tracking SMART Business Illinois-eligible vendors.

This report highlights SMART Business Program accomplishments, new initiatives and the challenges the program faces. It demonstrates how the management of the program has been transparent and accountable.

Background

The State Comptroller Minority Contractor Opportunity Initiative, proposed by former Comptroller Judy Baar Topinka and signed into law in August 2011, 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.

Under Comptroller Susana A. Mendoza, the Illinois Office of Comptroller remains committed to making the program more relevant to these business owners while taking an aggressive approach across the state to communicate with them. This has resulted in making information about the program and registration accessible online; training of staff and presentations in all regions of the state; completion of an online internal dashboard, which enables all the information of participants to be easily

¹ Public Act 97-0590.

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

accessible and downloaded by staff; and initiation of discussions for interagency agreements to share and download pertinent information for reporting purposes. 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, Federal Employer Identification Numbers (FEINs), and designations of Business Enterprise Program 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.

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. It was evident the data did not provide adequate information that would enable the SMART Business Illinois program to provide a report that would give an accurate overview of how much was paid by each executive agency, fully identify the percentage of the amounts paid to small businesses,

minority-owned and women-owned businesses, and businesses owned by persons with disabilities, and identify the challenges faced by the agencies.

To address this, the Illinois Office of Comptroller finalized 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 Illinois Office of Comptroller in providing data on amounts paid by each agency to contractors. It provides a general overview of payments to small, minority, and persons with disabilities owned businesses, 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. In addition, in line with the IOC's commitment to be accountable and transparent in its reporting, a public-facing database is expected to be launched in its entirety later in 2020. 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.

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 past year, the Illinois Office of Comptroller has implemented new initiatives to improve the program, including a business support group, 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, local chambers of commerce, and community groups.

Outreach Events in Fiscal Year 2019

A large part of the SMART Business Illinois Program involves outreach to businesses and individuals that may qualify for the Minority Contractor Opportunity Initiative. In fiscal year 2019, Illinois Office of Comptroller staff working with the SMART Business Program attended 50 events, with a total attendance of more than 7,600. The program received 138 new applicants.

The Illinois Office of Comptroller believes that interagency collaboration is essential to serve minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses. This will improve the level of participation in the program. The IOC has regularly reached out to other agencies, including the Department of Central Management Services, the Illinois Procurement Gateway, Capital Development Board, and the Department of Corrections to foster relationships and share information.

Statement of Total Amounts Paid by Each Executive Branch Agency in Fiscal Year 2019

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. Because the Illinois Office of Comptroller maintains the fiscal accounts of the State of Illinois and issues payments to individuals and businesses, the IOC can identify outgoing payments for state contracts. The IOC can research payments made to qualified vendors, as well as overall contract spending out of each agency, but information on subcontractors is lacking. This results in incomplete and misleading conclusions.

The Business Enterprise Program Council calculates its achievements according to "Dollars Subject to Goal." Dollars Subject to Goal is calculated from the total agency budget, minus exemptions granted by the Business Enterprise Program Council. 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.

Due to the gaps in data previously noted, the Illinois Office of Comptroller determined it is disingenuous, and would not fulfill the intent of the law, to provide and attempt to analyze numbers that present only pieces of the entire project.

Challenges

The Illinois Office of Comptroller analyzed data from the Executive Ethics Commission and the Business Enterprise Program. Based on the figures received, the data do not provide adequate information to allow the IOC to provide a SMART Business Illinois report that would give an accurate overview of the information required by statute. The data collected by the Executive Ethics Commission and Business Enterprise Program do not track subcontractors; they track only primary contractors and the amount paid to their businesses.

The main challenge remains the creation of a database for all contractual payments. Under Comptroller Mendoza, the IOC has created a web-based, public-facing database for contractual payments issued by the IOC. While a great resource, the database only contains payments issued to primary contractors; 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 a major obstacle for transparency in reporting because the necessary information is not readily available to not only the IOC, but the public.

Each State agency is responsible for collecting its own data, creating a challenge to collect and analyze data accurately. This also presents a challenge at the administrative level because the data tracking from the agencies is inadequate. An employee would need to call each subcontractor to verify payments and amounts, then compare the payments and amounts against the contracts awarded to the primary vendors. Agencies' financial systems and technologies for 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.

Presently, data transmitted to the IOC is organized by FEINs. The process of matching awards with contracts, and matching with certified businesses, and tracing to subcontractors is cumbersome and lengthy.

Other challenges identified by the Illinois Office of Comptroller include:

- Technical issues and problems with the e-procurement BidBuy website, resulting in missed procurement opportunities;
- Poor dissemination of information regarding changes in the procurement process; and
- 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.

Findings and Conclusions

The SMART Business Illinois program is unable to access data for all businesses that were certified and received contracts. Although the Illinois Office of Comptroller entered into an intergovernmental agreement with Central Management Services, it has become evident that most of the payments do not align with or provide information on who is certified and how many contracts were approved in this category. If this is not addressed, the IOC will be unable to provide reliable data regarding successful candidates that have received state contracts. Discussions with agencies should continue to include this issue and provide a plan to address and make changes.

Transparency in the procurement and bidding process should be increased and streamlined. Business owners have strongly recommended that procurement bulletins be better maintained and updated. A coordinated effort to communicate procurement updates, changes, and technology issues with BidBuy and the Illinois Procurement Gateway would help increase bids from potential vendors.

It would also be beneficial to know 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, a separate line item for subcontractors with confirmation they are part of the Business Enterprise Program business pool would be needed.

The SMART Business Illinois program 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. It is important to note there are external factors over which the IOC has limited or no control. For example, the overall number of people certified, the actual number of businesses that received contracts, and barriers other agencies have encountered in recruiting minority-owned

businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses.

The Illinois Office of the Comptroller will continue to foster and coordinate interagency collaboration to help resolve challenges. The IOC believes it is essential to provide a streamlined service to the minority-owned businesses, women-owned businesses, businesses owned by persons with disabilities, and small businesses served by the SMART Business Illinois Program.