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**SMART
BUSINESS
ILLINOIS**

SMART Business Illinois Report

Fiscal Year 2023

Table of Contents

Executive Summary	2
Background	3-4
Statutory Authority.....	5
Achievements.....	5-6
Outreach Events.....	6
Challenges.....	6-8
Findings and Conclusions	9-10

Executive Summary

The following is the Fiscal Year 2023 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 FY2023. 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 to adequately track and identify businesses within targeted populations that were successful in receiving contracts has been a challenge, even though that might be valuable to interested vendors.

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. The Comptroller can take a place on the Business Enterprise Program Council as an advisory member or appoint a designee.

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) did identify SMART Business Illinois participants that received contractual awards and provided a total of those involved in the program.

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. At the time the system known as DCMS was not fully automated.
- c. The new system, alongside other minor revisions, enables IOC to identify specific payments made to SMART Business and BEP prime contractors routinely.
- d. The Office of Comptroller has a website in the production stage that aligns all the data (not including subcontractor data), with plans to launch it to the public later.

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 was made 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

1 Public Act 97-0590.

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 overseen by the Department of Central Management Services – now, by the Commission on Equity and Inclusion (CEI). 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 to 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-owned 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, 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 is currently in the production phase. This database would 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 A. Mendoza, the Illinois Office of Comptroller has continuously worked to make the program more relevant to small/women/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 registered and/or certified to do business with the State of Illinois. To date, information about the program and registration is now accessible online. Additionally, trained staff give virtual and in-person presentations throughout the state, and the newly created online internal dashboard enables staff to

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

respond quickly to queries. Within this system all information is easily accessible for IOC staff and is actively provided to CEI for reporting purposes. Staff have also been able to attend events such as business expos and a variety of community fairs to interact with prospective clients. 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 and counsel 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, increasing participation with the BEP and its subcommittees, increasing outreach efforts across the state including an informational bulletin emailed to clients, and providing workshops either virtually or in person. Staff currently offer the workshops in English, Polish, and Spanish. In addition, staff attend in-person meetings and counseling sessions with clients at their place of business.

Outreach achievements included hosting events where members of disadvantaged communities engaged and interacted with staff, increasing their access to the program and awareness of other programs and services. Staff participated in peer-to-peer engagements and events with partner agencies, such as the departments of Commerce and Economic Opportunity and the Commission on Equity and Inclusion, in addition to chambers of commerce, high schools, libraries, and community groups. Staff attended events such as the City of Chicago Construction Summit, Prairie State Veterans Resource Fair, Business Diversity and Inclusion B2B expo, Chicago Procurement Symposium, Latin X Business Expo, Women's Business Collective, Illinois Hispanic Chamber of Commerce Business Expo, City of Chicago Small-Business Expos, Fiesta del Sol, and the Illinois State Fair.

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 Events in Fiscal Year 2023

In the Fiscal Year 2023, meetings and interactions were conducted both virtually and in person. The staff hosted 20 events including SMART Business Illinois program introduction meetings with clients - informal training events with small-business owners geared to consulting them individually based on their needs. The program received 95 new applications and assisted 430 existing clients.

Through FY23, 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, 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 of state agencies.

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 asked to 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 on what are mostly minority-owned and 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 with effective date March 23, 2021, 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
- Prohibit contract renewal if vendor fails to meet its utilization plan goal or show good faith in achieving it.

The enactment of this legislation is transformative for economic diversity and accountability, and IOC is working to ensure that it aligns with the additional requirements. With this Public Act passed and the various gaps in reporting data previously noted, the Illinois Office of Comptroller has expanded its efforts in having a staff member in an advisory capacity on the Business Enterprise Program (BEP) Council. The staff member is also active on the outreach subcommittee and the compliance and certification subcommittee that works closely with other agencies to review and revise the certification process so that it will fulfill the intent of the law. The aim is that this approach will streamline the process designed to improve the

reporting process and increase BEP goals in its entirety. To date there has been considerable redevelopment of the program and a revision in the requirements for certification.

The following are updates from the BEP in FY23 According to the BEP Annual Report:

- The State of Illinois spent \$1,298,743,727 in eligible contract dollars with BEP-certified vendors and sheltered workshops during FY23.
- In FY23, CEI's external stakeholders encompassed a record-breaking 5,415 BEP-certified vendors, non-certified businesses across the State eligible for BEP certification, various industry organizations, numerous prime vendors, and legislators.
- Over the past five years, vendor participation has had an average yearly increase of 10.5%. The number of certified BEP vendors grew from 3,315 in FY22 to 5,415 in FY23, an increase of 63%. The rise in certification is primarily attributed to more vendors becoming actively certified in BEP through reciprocal certification opportunities and effective outreach engagement.
- BEP continued to set programmatic records during FY23. The start of FY23 saw BEP's full implementation of Public Act 102-0585. This public act permits the recognition and acceptance of businesses certified by the City of Chicago, Cook County, or other entities approved by the BEP Council. The Be Enrolled in BEP certification program was created to administer the new certifications from the City of Chicago and Cook County. Later, the program expanded to allow vendors certified through the Illinois Unified Certification Program (IL UCP) to become automatically enrolled as BEP vendors. Members of the IL UCP include the Chicago Transit Authority, Metra Rail, PACE, and the Illinois Department of Transportation.
- Additional FY23 programmatic accomplishments include administering monthly BEP Council public meetings, trainings, and implementing a comprehensive communication framework. This framework includes regular stakeholder meetings that provide updates on BEP Council decisions, procurement policies, diverse-vendor certification procedures, and purchasing entity compliance requirements. Additionally, BEP enhanced its internal systems for stakeholder inquiries and procurement notifications, trained staff to improve communication and response capabilities, and analyzed purchasing entities' supplier diversity efforts to enhance BEP-certified vendors' capacity, revenue growth, and credentials.

CEI's first independent competitive request for proposals was published, resulting in a contract with a BEP-certified vendor for a new diversity-certification and compliance-management system. This system will drive the modernization of BEP's processes, protocols, and forms in alignment with industry best practices while eliminating BEP's former reliance

on legacy Excel spreadsheets for data collection and analysis. This improvement will also enhance the ability to track records and improve data integrity.

BEP made some changes to the FastTrack Certification Process, which is a streamlined process that allows vendors to apply for BEP certification and is valid for Cook County, the City of Chicago, and the State of Illinois. The FastTrack application was created as a pared-down version of the Recognition application removing income taxes as part of the requirement and only requesting the following two supporting documents:

- Affidavit
- Copy of the certificate from the host agencies:
 - Chicago Minority Supplier Development Council
 - Mid-States Minority Supplier Development Council
 - Women’s Business Development Center

FastTrack Certification typically takes seven business days to process and is valid for one year. This streamlined service is highly valued by SMART Business clients.

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 still cannot track payments to subcontractors. 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.

Additional challenges identified by the Illinois Office of Comptroller include:

- Poor dissemination of information regarding changes in the procurement process;
- Lack of coordination across State agencies to work efficiently with minority-owned businesses and women-owned businesses, businesses owned by persons with disabilities, and small businesses; and
- Lack of a public website that provides information about awarded contracts and additional background information on the losing bids (several years ago, there was such a website called Purchasellinois.gov, but it is no longer available).

Other challenges include the need for more transparency in the procurement and bidding process. Although 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 issue being discussed 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.

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.

Findings and Conclusions

Despite these challenges, it is important to note that during the last seven years the SMART Business Illinois program has made some substantial improvements. All background information for outreach efforts and businesses contacted and assisted is up to date and easily accessible. 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.

The fact that prime contractors are required to pay their subcontractors and enter this payment information into the DCMS makes tracking very difficult for the IOC. 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 IOC looks forward to learning about the renewal of the current Diversity Management System as it migrates data to the new system under the new vendor, Viva, Inc.

The Illinois Office of the Comptroller is committed to 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.



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