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**SMART  
BUSINESS  
ILLINOIS**

# **SMART Business Illinois Report**

Fiscal Year 2024

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## **Executive Summary**

The following is the Fiscal Year 2024 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 FY2024. 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 on a later date.

## **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.

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." 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 the 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 online internal dashboard enables staff to respond quickly to queries. Within this system all information is easily accessible to 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.

The Business Enterprise Program (BEP) Act (30ILCS575/) requires the Commission on Equity and Inclusion to report to the Governor annually the participation of BEP-certified vendors in the State's procurement and contracting process. Under the minority contract initiative, the Illinois Office of the State Comptroller (IOC) has been supplying Chief Procurement Office of General Services with monthly contract expenditure data to the BEP Compliance Unit since 2017. This data monitors contracts with BEP vendor participation and uploads all information to the Program's system database.

## **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 Chicago Procurement Symposium, LatinX Business Expo, Illinois Hispanic Chamber of Commerce Expo, Women's Business Collective, City of Chicago Construction Summit, Latinas in Business Workshop, Southwest Side Small Business Fair, Illinois Government Contracting Summit, Arab American Network & Resource Fair, 5th Annual College & Career Fair Peoria, Veterans Resource Fair Kane County, Prairie State College Resource Fair, Rich Township Resource Fair, Chicago Southland Chamber of Commerce events, City of Chicago Small-Business Expos, numerous resource fairs for State Representatives and Senators across Illinois, and the Illinois State Fair and DuQuoin 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 2024**

In the Fiscal Year 2024, meetings and interactions were conducted both virtually and in person. The staff attended 90 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 79 new applications and assisted 421 existing clients.

Through FY24, 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.

However, 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. CEI's new Supplier Diversity Management Portal is an improvement because it has the ability for prime contractors and sub-contractors to voluntarily designate whether the sub-contractor has been paid and how much for each specific contract. Since this aspect is self-reported and voluntary, it may not guarantee that 100% of all data is collected from every prime contractor and sub-contractor.

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

may be needed throughout State agencies to identify, coordinate, and improve access to information.

Also, according to the IOC representative on the BEP Council, recently the Department of Innovation and Technology (DoIT) transitioned from the IOC mainframe data source to a different platform. Considering these changes, IOC granted access to CEI/BEP for the expenditure data; however, there is a delay in the transition as the data is considered very sensitive. With that in mind, Workstation Administrative rights are required to retrieve the actual monthly data files. The IOC's Information Technology Department will continue to recognize such changes and adapt and make changes as needed. 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 Black Legislative Caucus led efforts to address the issue of increasing economic diversity by passing legislation. 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.

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.

### **Updates:**

Through a competitive bidding process, Viva USA, Inc., a BEP-certified vendor, was awarded the contract to host the Commission on Equity and Inclusion's supplier diversity management platform, SDMP. This system change enhances the CEI's supplier diversity management platform by streamlining processes, improving user experience, and increasing data accuracy. On July 15, 2024, the SDMP was made available for public use. Purchasing entities can now search the portal for BEP-certified firms (for goal setting and goal-tracking purposes) and the contracts executed with supplier diversity goals. The Supplier Diversity Management Portal also has the ability for prime contractors and sub-contractors to voluntarily designate whether the sub-contractor has been paid and how much for each specific contract.

According to the Supplier Diversity Management Portal website, "The Supplier Diversity Management Portal expands opportunities for diverse and small businesses to win contracts with the State of Illinois by allowing vendors to rapidly search and review current vendor certifications, update contact information, and report contract payment information. By eliminating manual data collection processes, CEI's Supplier Diversity Management Portal simplifies and standardizes our current practices while making certification registration, contract compliance monitoring, and goal management practical. Purchasing entities and vendors can now use the portal to search the Business Enterprise Program (BEP) and Veterans Business Program (VBP) certified vendor directory. Purchasing entities can also upload vendor good faith effort waiver requests for CEI's review, and the certification module is now open for vendor certification intake and revision."

The following are additional updates from the BEP in FY24 According to the BEP Annual Report:

- The State of Illinois spent \$1,306,647,883 in eligible contract dollars with BEP-certified vendors during FY24.
- After achieving a record 5,415 certifications during FY23, the BEP program concluded FY24 with 5,049 certified vendors.
- During FY24, 1,696 BEP-certified vendors received State contracts, compared to 1,538 in FY23, representing a 10% increase in the number of certified vendors awarded contracts.
- In March 2024, the certification unit launched monthly virtual educational webinars to guide business owners through the BEP certification process and provide post-certification guidance to newly certified vendors. The BEP certification unit conducted more than 107 site visits, reinforcing compliance efforts and ensuring the authenticity of vendor operations.
- In collaboration with the chief procurement offices, CEI introduced a BEP certification educational webinar series. These webinars provided practical insights into the benefits of State certification, contract bid opportunities, and other procurement resources. CEI certification analysts provided step-by-step guidance for completing the application process, and attendees received additional resources and business development information.

## **Findings and Conclusions**

Despite these challenges, it is important to note that during the last several 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 allow the reporting process to be more accountable.

Now that the Supplier Diversity Management Portal has the ability for prime contractors and sub-contractors to voluntarily designate whether the sub-contractor has been paid and how much for each specific contract, it will likely increase access to sub-contractor payment data.

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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