



CHIEF PROCUREMENT OFFICE

December 6, 2017

Mr. Mike Hoffman, Acting Director
Department of Central Management Services
401 South Spring Street, Room 715 Stratton Office Building
Springfield, IL 62706

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Re: Report of Service-Disabled Veteran-Owned Small Business and
Veteran-Owned Small Business

Dear Director Hoffman:

Pursuant to 30 ILCS 500/45-57(b), I am providing this report of the participation level of Service-Disabled Veteran-Owned Small Business (SDVOSB) and Veteran-Owned Small Business (VOSB) firms in state procurement. I have five recommendations for improving and increasing contracting of SDVOSB and VOSB firms.

Recommendations

1. Public Act 100-43 creates the Special Committee on Minority, Female, Persons with Disabilities, and Veterans Contracting. The Special Committee shall review Illinois' procurement laws regarding contracting with minority-owned businesses, female-owned businesses, businesses owned by persons with disabilities, and veteran-owned businesses to determine what changes should be made to increase participation of these businesses in State procurements. 30 ILCS 575/8g.

As a member of the Special Committee, I look forward to the Committee's efforts to analyze the state's laws and make recommendations on how to increase veteran participation in state contracting. For the past two years, I solicited and received feedback from small business owners and veteran organizations on this very subject. This feedback has been incorporated into my past recommendations to the Department of Central Management Services.

I believe that the Committee's public hearings will yield new insights and valuable feedback upon which to build an action plan and recommend that this plan contain measurable objectives and timelines. In the meantime, I recommend continuing the 3% goal prescribed in Section 45-57 of the Procurement Code.

2. I also recommend that you continue to implement the four recommendations provided by the chief procurement officers to you in last year's report of SDVOSB and VOSB contracting. These recommendations are:

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



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We recommend that DVA and the Department of Central Management Services (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.

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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Participation Level of Veteran Owned Small Businesses in Procurement

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 140 certified veteran-owned small businesses in bidding and winning state contracts.

The following information reflects a review of all awards published on the General Services’ volume of the Illinois Procurement Bulletin (IPB). Awards may include contract renewals and amendments, awards procured via competitive selection, and sole source or emergency procurements. This review 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).

FY17 Awards for Veteran-owned Small Businesses:

- 7 unique vendors were awarded 16 contracts
 - Estimated value of the 16 contracts = \$29,396,706

- 4 of the 7 vendors were awarded 5 contracts via competitive selection
 - The 4 vendors are Industrial Fence, Inc., Griggs Mitchell & Alma of IL, E.R. Bakey, Inc., and John Keno & Company, Inc.
 - Estimated value of the 5 competitively awarded contracts = \$22,040,251
 - 2 state agencies (Toll Highway Authority and Department of Central Management Services) made all 5 competitive awards

- 3 of the 7 vendors were awarded contracts via contact amendment or renewal
 - Estimated value of the 11 contracts amendments and renewals = \$7,356,455

In addition to reviewing contract awards, which represents vendor interest and participation in state contracts, looking at the value of state payments to vendors gives a correlation between firms that win new contracts and firms that are paid. The hypothesis being that if a firm is paid for the work performed under a state contract, they are more likely to pursue new state business.



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However, data of state payments to vendors may include payments that resulted from contracts acquired via the small purchase procurement method and are not published to the Illinois Procurement Bulletin.

FY17 Illinois Comptroller Payments to Veteran-owned Small Businesses:

- 16 unique vendors received payments from 68 filed contracts
 - Total value of the payments = \$22,062,141
 - 20 of the 68 filed contracts are with Herlihy Mid-Content Company, a highway construction firm based in Romeoville, Illinois; Herlihy received \$14.4 million in payments which represents 65.1% of all payments

- 2 of the 16 vendors that received contract payments were among the 4 vendors that also received contract awards via competitive award
 - John Keno & Company received payments totaling \$81,012 for 3 contracts filed with the Illinois Comptroller; Keno also won a competitive award from the Department of Public Health valued at \$333,410.
 - Industrial Fence received payments totaling \$2,984,868. They have 8 contracts filed with the Illinois Comptroller valued at more than \$11.5 million. Industrial Fence won 2 competitive awards from the Toll Highway Authority valued at more than \$12.4 million.

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Please do not hesitate to ask any questions that you may have regarding my recommendations or the data that is presented in this report. I look forward to discussing these issues further through the Special Committee.

Sincerely,

Ellen H. Daley
Chief Procurement Officer for General Services

