



Ralph S. Northam
Governor

R. Brian Ball
Secretary of Commerce & Trade

COMMONWEALTH of VIRGINIA

Department of Small Business and Supplier Diversity


Tracey G. Wiley
Director

MEMORANDUM

TO: The Honorable R. Brian Ball
Secretary of Commerce and Trade

The Honorable R. Steven Landes

House of Appropriations & Senate Finance Committees

FROM: Tracey G. Wiley, Director 
Virginia Department of Small Business and Supplier Diversity (SBSD)

DATE: October 30, 2018

CC: Angela Navarro, Deputy Secretary of Commerce and Trade
Laura L. Wilborn, Division of Legislative Automated Systems

SUBJECT: Department of Small Business and Supplier Diversity Work Plan: Third Quarter

We appreciate the opportunity to share with you the work that has been accomplished in the third quarter of the year in relation to our 2018 Agency Work Plan. We are on track with the majority of our goals and are meeting with our staff monthly to review performance. Many of the goals are cumulative and we expect to reach our targets as the year progresses.

We are pleased to report that we have conducted statewide webinars to educate both small businesses as well as agency procurement professionals on the SWaM certification process. The webinar for small businesses walks business owners through the application process step by step explaining both the technology and the required documentation needed to review an application for eligibility. The webinar for procurement professionals explains the required documentation as well as reviews the out of state policy for SWaM certification. We have been able to provide education to approximately 300 small businesses and procurement professionals as a result.

The vendor webinar is available on our website at the following link:

<https://www.sbsd.virginia.gov/certification-division/>

The procurement professional webinar is available on our website at the following link:

<https://www.sbsd.virginia.gov/buyer-page/>

During this quarter the DSBSD partnered with NBC12 to highlight agency programs and success stories and held a Call 12 segment to expand the agency's reach to a broader demographic. Attached you will find three successful business spotlights that highlight different programs within the agency. The first, Ginger Juice, is a company that benefited from their investors being the recipients of Small Business Investment Grants that the agency administers. The grants allowed the company to expand and open a second location creating new jobs and expanding the tax base in that locality. The second, Shoe Crazy Wine, is a company that obtained SWaM certification and was able to leverage that certification to secure a contract to sell their product in Walmart stores across the Commonwealth. The third, Bageladies, LLC, is a company that participated in our Scaling4Growth program where companies create a growth plan to scale their business to the next level. The company was able to secure a contract to sell their bagels in 250 Kroger stores across the Commonwealth. The attachments will need to be saved then opened for them to be viewed.

The agency also launched an alumni component to the Scaling4Growth small business development program called Scaling4Prosperity this quarter. This alumni program will allow our graduates to continue to develop their CEO network providing an opportunity for continued learning and networking. The agency has graduated three cohorts in the Scaling4Growth program and the graduates have seen amazing growth as a result of their participation, 83 percent seeing revenue maintenance or increase less than a year from graduation.

We look forward to updating you at the end of January on our progress and performance in the fourth quarter of the year. We plan to focus on different divisions within the agency each reporting period to give you a holistic perspective on the work we are doing.

Thank you and please let us know if you have any questions on items not addressed in this report.

**Department of Small Business and Supplier Diversity
Agency Work Plan
January 1-December 31, 2018**

Overview

Mission: Economic Growth and Development of Virginia's Small Businesses

The mission of the Virginia Department of Small Business and Supplier Diversity (SBSD) is to serve Virginia's small businesses, by enhancing growth opportunities through increased revenue and job creation that raises the standard of living of all Virginians.

Agency Vision:

The Virginia Department of Small Business and Supplier Diversity (SBSD), formerly the Department of Business Assistance, was formed to meet the needs of existing and new small businesses. Over the life of the agency, the mission has expanded so that small, woman, and minority-owned businesses are included in this vision. Then and now, the department separates these important functions from the political process and ensure that all Virginia small businesses receive assistance to grow and prosper in the Commonwealth through education, counseling, certification, and access to financing.

Agency Goals:

Statewide Goals Advanced by SBSD's Strategic Goals, Objectives and Strategies

- Be a national leader in the preservation and enhancement of our economy.
- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.
- Ensure that Virginia has a transportation system that is safe, enables easy movement of people and goods, enhances the economy and improves our quality of life.

The goals listed above are statewide goals with many contributors in which SBSD plays a role. The agency is committed to customer service, advocacy for small businesses, and support of other Virginia state agencies. SBSD specific goals do not stand alone, but support the broader goals of the entire Commonwealth.

Agency Goal I: Spur economic vitality through strategic investment of resources.

For the Department this means implementing strategies that assist small businesses to be more competitive in a rapidly changing global economy.

Agency Goal II: Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization, and growth.

For the Department this means providing services designed to assist with the development and growth of small businesses, as they are the economic engine of the Commonwealth.

Agency's Objectives and Strategies for 2018

Agency Goal #1:

Spur economic vitality through strategic investment of resources.

Objective

Utilize agency resources to maximize the creation and retention of jobs within the Commonwealth as well as growth for wealth maximization of our current small business population.

Overall success toward meeting this objective will be assessed through the following measures:

- Number of jobs created and retained by businesses receiving loans from the VSBFA (Current Measure)
- Continuous education and marketing to the financial services industry of the need for "gap" financing for small businesses (Current Measure)
- Enhance the Reporting and Data Outputs to measure the SWaM and DBE impact on the community (i.e. localities, higher education, and state) (Current Measure)
- Total number of jobs created and retained by small business borrowers as a result of VSBFA programs (New Measure)
- Total numbers of jobs created and retained in rural areas for all borrowers (New Measure)
- Total private investment enabled for small business borrowers under all VSBFA programs (New Measure)
- Number of currently certified SWaM and DBE businesses (Current Measure)
- Unit cost of processing certification applications (Current Measure)
- Average number of business days to process a SWaM certification application (Current Measure)
- Number of service disabled veteran businesses currently certified in the SWaM certification program (New Measure)

Virginia Small Business Financing Authority (VSBFA)

Number of jobs created and retained by businesses receiving loans from the VSBFA

- Staff will provide data quarterly on the amount of jobs created from loans made across all programs of the VSBFA. This is a cumulative goal meaning the total will build each quarter. (Baseline 2,193; Goal 2,500)

Q1. 227

Q2. 218 (YTD 445)

Q3. 16,704 (YTD 17,149) *this figure is an anomaly due to a project that generated a very large number of retained jobs. This would not be a typical retention or creation figure for the agency.

Q4.

Continuous education and marketing to the financial services industry of the need for “gap” financing for small businesses

- Staff will provide data quarterly on the amount of loans committed annually. This is a cumulative goal meaning the total will build each quarter. **(Baseline 133; Goal 144)**
Q1. 5
Q2. 10 (YTD 15)
Q3. 6 (YTD 21)
Q4.

Enhance the Reporting and Data Outputs to measure the SWaM and DBE impact on the community (i.e. localities, higher education, and state)

- Staff will provide data quarterly on the total of loans and cash reported on fund accounting. **(Baseline \$50,000,000; Goal \$50,250,000)**
Q1. \$52,860,813
Q2. \$53,345,452
Q3. \$53,592,830
Q4.

Total number of jobs created and retained by small business borrowers as a result of VSBFA programs

- Staff will provide data quarterly on the number of jobs created and retained by small businesses as a result of VSBFA programs. This is a cumulative goal meaning the total will build each quarter. **(Baseline 900; Goal 1,000)**
Q1. 227
Q2. 153 (YTD 380)
Q3. 51 (YTD 431)
Q4.

Total numbers of jobs created and retained in rural areas for all borrowers

- Staff will provide data on the numbers of jobs created and retained in rural areas for all borrowers. This is a cumulative goal meaning the total will build each quarter. See appendix. **(New Reporting Metric; Goal 150)**
Q1. 204
Q2. 126 (YTD 330)
Q3. 15 (YTD 345)
Q4.

Total private investment enabled for small business borrowers under all VSBFA programs

- Staff will provide data on the total private investment (non-VSBFA) enabled for small business borrowers under all VSBFA programs. This is a cumulative goal meaning the total will build each quarter. **(Baseline \$5,000,000; Goal \$5,250,000)**
Q1. \$5,283,401
Q2. \$9,586,132 (YTD \$14,869,533)
Q3. \$2,679,032 (YTD \$17,548,565)
Q4.

SWaM Certification Division (SWaM)

Number of currently certified SWaM and DBE businesses

- Staff will provide data quarterly on the number of currently certified SWaM and DBE businesses. **(Baseline 14,000; Goal 15,000)**

Q1. 14,822

Q2. 14,579

Q3. 14,530

Q4.

Unit cost of processing certification applications

- Staff will provide data quarterly on the number of certification applications processed as compared to expenditure data. **(Baseline \$200.00; Goal \$195.00)**

Q1. \$141.68

Q2. \$133.18

Q3. \$116.90

Q4.

Average number of business days to process a certification application

- Staff will provide data quarterly on the average number of business days to process a certification application. **(Baseline 86; Goal 60)**

Q1. 81

Q2. 73

Q3. 57

Q4.

Number of service disabled veteran businesses currently certified in the SWaM certification program

- Staff will provide data quarterly on the number of service disabled veteran small businesses certified. **(Baseline 195; Goal 220)**

Q1. 207

Q2. 243

Q3. 283

Q4.

Agency Goal #2:

Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization and growth.

Objective

To provide services designed to assist with the development and growth of small businesses in the Commonwealth.

Overall success toward meeting this objective will be assessed through the following measures:

- **Number of outreach activities and/or events held and participated in annually (Current Measure)**

- **Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program (New Measure)**
- **Number of businesses served through Business One Stop (New Measure)**
- **Number of partners worked with annually to support Virginia small businesses (New Measure)**
- **Number of VDOT projects supported through vendor development and technical assistance (New Measure)**

Business Development and Outreach Services (BDOS)

Number of outreach activities and/or events held and participated in annually.

- Staff will provide data quarterly on the number of outreach events and/or activities held or participated in annually. This is a cumulative goal meaning the total will build each quarter. **(Baseline 439; Goal 500)**
Q1. 332
Q2. 400 (YTD 732)
Q3. 351 (YTD 1,083)
Q4.

Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program

- Staff will provide annual metric obtained from Interise on cohort revenue maintenance and growth. **(New Reporting Metric; Goal 30%)**
Q1. 56%
Q2. N/A
Q3. 83%
Q4. N/A

Number of businesses served through Business One Stop

- Staff will provide data quarterly on the number of small businesses served through Business One Stop. **(Baseline 2,300; Goal 2,600)**
Q1. 883
Q2. 647 (YTD 1,530)
Q3. 629 (YTD 2,159)
Q4.

Number of partners worked with annually to support Virginia small businesses

- Staff will provide data quarterly on the number of partner organizations worked with to support Virginia Small Businesses. This is a cumulative goal meaning the total will build each quarter. **(Baseline 100; Goal 140)**
Q1. 105
Q2. 47 (YTD 152)
Q3. 44 (YTD 196)
Q4.

DBE Technical Assistance and Outreach (DBE Outreach)

Development of ready, willing, and able businesses prepared to support VDOT projects.

- Staff will provide data quarterly on the number of VDOT projects supported through vendor development and technical assistance. **(New Reporting Metric; Goal 10)**

Q1. 2

Q2. 5 (YTD 7)

Q3. 3 (YTD 10)

Q4.

Audit Compliance and Corrective Action:

The Department of Small Business and Supplier Diversity has had nine audits and performance reviews and VSBFA has had five since FY15. The agency audits/review recommendations are listed below:

Fiscal Year	Agency	Description	Findings/Recommendations
FY18	JLARC	Incentive Review of SBJGF	Still under review
FY18	JLARC	Fiscal Impact Statement Review for SB318	Still under review
FY18	VITA	Sensitive Systems Audit	Still under review
FY17	Third Party Vendor	ARMICS review to evaluate agency-wide and transactional internal controls	Update and develop additional agency policies and procedures Address need for additional staff Establish budget tracking for the agency
FY17	OSIG	SWaM Certification Performance Audit (Review Period FY16)	Enhance Reporting of SWaM Compliance Establish the population of agencies required to submit SWaM plan Maintain historical SWaM Vendor Data Perform a certification division compensation study Research the feasibility in instituting a fee structure for certification Update the certification officer training manual
FY17	APA	Payroll Audit (Review Period FY16)	Transmission of data between agency and PSB Improve controls over terminated employees Update and develop additional agency policies and procedures Perform post certification activities
FY17	APA	Internal Controls Audit (Review Period FY16)	Update and develop additional agency policies and procedures ARMICS not in compliance for FY16 Monitor IT contractor performance using VITA form Review user access for internal applications Commonwealth IT Security Audit
FY17	Third Party Vendor	Independent Assessment of VSBFA Audits and Transfers as well as SBIG and SBJGF	Agency should evaluate the capital requirement for SBJGF Agency should market the SBJGF to differentiate from VJIP
FY16	JLARC	Development and Management of State Contracts in Virginia Thirty recommendations provided only 4 pertained to DSBSD	Recommendation #3 - Assist with determining price reasonableness Recommendation #4 - Assist with determining if weighted criterion for Recommendation #7 - Prioritize small business certification over W/M Recommendation #8 - Send notifications to businesses ahead of expira
VSBFA			
Fiscal Year	Agency	Description	Findings/Recommendations
FY18	JLARC	Incentive Review of SBIG	Still under review
FY18	APA	VSBFA Federal Grants Audit	Still under review
FY17	APA	Annual Financial Review (Review Period FY16)	No Findings
FY16	APA	Annual Financial Review (Review Period FY15)	No Findings
FY15	APA	Annual Financial Review (Review Period FY14)	Improve controls over financial reporting process Strengthen controls over off-CARS disbursements

Agency Corrective Action Plan and Timeline listed below:

DSBSD			
Fiscal Year	Agency	Findings/Recommendations	Corrective Action
FY18	JLARC	Still under review	
FY18	JLARC	Still under review	
FY18	VITA	Still under review	
FY17	Third Party Vendor	Update and develop additional agency policies and procedures	Underway
		Address need for additional staff	Underway/Budget Requests Submitted
		Establish budget tracking for the agency	Complete
FY17	OSIG	Enhance Reporting of SWaM Compliance	Complete/Agency Director Met
		Establish the population of agencies required to submit SWaM plan	Underway/Requests submitted to SOC
		Maintain historical SWaM Vendor Data	Complete/System Enhancements & File Maintenance
		Perform a certification division compensation study	Underway/Requires DHRM involvement; Inbands Processed
		Research the feasibility in instituting a fee structure for certification	Underway/Data being gathered
		Update the certification officer training manual	Underway
FY17	APA	Transmission of data between agency and PSB	Complete/PSB created a secure portal for all agencies use
		Improve controls over terminated employees	Complete/Worked with SSC at DHRM as well as created checklists
		Update and develop additional agency policies and procedures	Underway
		Perform post certification activities	Complete/Post certification activities are completed monthly
FY17	APA	Update and develop additional agency policies and procedures	Underway
		ARMICS not in compliance for FY16	Complete
		Monitor IT contractor performance using VITA form	Complete
		Review user access for internal applications	Underway/Each system was reviewed during audit
		Commonwealth IT Security Audit	Underway/Under contract with VITA and audit in progress
FY17	Third Party Vendor	Agency should evaluate the capital requirement for SBJGF	Complete/Legislation was introduced
		Agency should market the SBJGF to differentiate from VJIP	Underway/Outreach and training ongoing
FY16	JLARC	Recommendation #3 - Assist with determining price reasonableness	Complete
		Recommendation #4 - Assist with determining if weighted criterion for	Complete
		Recommendation #7 - Prioritize small business certification over W/M	Complete
		Recommendation #8 - Send notifications to businesses ahead of expira	Complete
VSBFA			
Fiscal Year	Agency	Findings/Recommendations	Corrective Action
FY18	JLARC	Still under review	
FY18	APA	Still under review	
FY17	APA	No Findings	
FY16	APA	No Findings	
FY15	APA	Improve controls over financial reporting process	Complete
		Strengthen controls over off-CARS disbursements	Complete

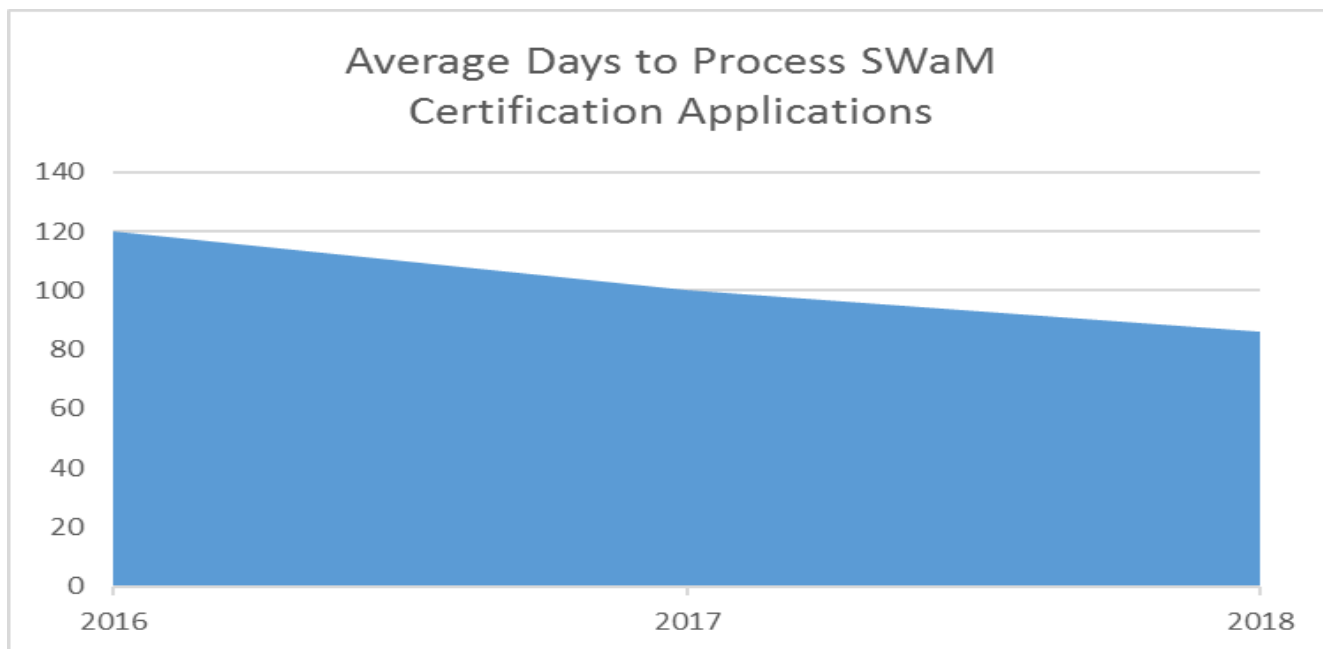
Discussion Points:

The agency is committed to supporting small businesses in creation, growth, and development with a focus on job retention and job creation. In 2016, SBSB initiated two new programs. The New Virginia Scaling 4 Growth initiative was created as a pilot to provide technical and development assistance to small businesses. Its primary goal is to grow capacity and to ensure that small businesses are more competitive. This program is provided at no cost to the businesses selected to participate. Thirty-two businesses were chosen to matriculate through a six-month intensive program designed to bring them to a three-year growth plan that would increase their revenues and encourage job creation. In 2018-2019, the agency is scheduled to graduate another thirty-two students statewide.

Additionally, in 2017 SBSB launched The Contractor's Training program. The three and a half week course is designed to assist small businesses in the construction industry with learning and refining negotiation and estimating skills. This will better enable those businesses to be viable subcontractors. This class has provided foundational training to twenty-four businesses in the last year. The Advanced Class will begin in April of 2018.

In 2018-2019, SBSB will expand offerings of the Basic and Advanced classes by industry clusters i.e. Hampton Roads (Ports, Defense Contracting, Tourism); Northern Virginia (Information Technology, Cyber Security, Big Data, etc.); Southwest Virginia (Agri-business, Healthcare, Retail & Hospitality); and Central Virginia (Transportation and Logistics, Green Technology, Advanced Manufacturing, and Creative & Knowledge Based Systems).

The agency is also committed to streamlining processes and will be evaluating the recertification process as well as the expediting process for SWaM certification to ensure efficiencies are achieved. Processes will be documented by the end of calendar year 2018 to ensure consistency in application and implementation. In FY16, the agency was faced with a backlog of over 2,000 applications and the average processing time for SWaM certification was approximately 120 business days. The agency focused efforts and steadily reduced the average processing time to 86 business days, which is the baseline, used above. With continued monitoring and effort, the agency expects to meet or exceed the established goal of 60 business days. The average number of days to process a certification application in the private sector is 90 business days; we are committed to providing a faster service to our small businesses and at no cost.



The agency launched a new website as well as a new certification portal in 2017 to assist small businesses in accessing program information and automating the certification process. In an effort to continue to provide enhanced services and more robust reporting functionality, the agency is planning an upgrade of the expenditure dashboard application. While currently in the needs requirement phase of the project it is anticipated that the completion of the project will take approximately twelve months. The overhaul of the system will allow for reporting across all certification types and be the primary source of data on small business spend for the Governor’s Office, Secretariats, and individual agencies.

The agency stands ready to support the small businesses of the Commonwealth. There are currently 681,571 businesses in Virginia, of which 97.7 percent are small businesses. Virginia small businesses employed 1.5 million people or 46.9 percent of the private workforce in 2013. Our small businesses are the backbone of our economy.

Appendix:

The agency will use the USDA definition of rural, which includes the following localities:

Accomack, Alleghany, Bath, Bland, Brunswick, Buchanan, Buena Vista City, Carroll, Charlotte, Covington City, Cumberland, Danville City, Dickenson, Emporia City, Essex, Franklin City, Galax City, Grayson, Greensville, Halifax, Henry, Highland, King and Queen, King George, Lancaster, Lee, Lexington City, Louisa, Lunenburg, Madison, Martinsville City, Mecklenburg, Middlesex, Northampton, Northumberland, Norton City, Nottoway, Orange, Page, Patrick, Pittsylvania, Prince, Edward, Richmond, Rockbridge, Russell, Shenandoah, Smyth, Southampton, Surry, Tazewell, Westmoreland, Wise, and Wythe.

The following localities have geographic areas within them that have been designated rural as well:

Amherst, Bedford, Campbell, Culpeper, Dinwiddie, Floyd, Franklin, Goochland, Nelson, Pulaski, Rappahannock, Sussex, and Warren.