



Ralph S. Northam  
Governor


## COMMONWEALTH of VIRGINIA

R. Brian Ball  
Secretary of Commerce & Trade

Department of Small Business and Supplier Diversity

Tracey G. Wiley  
Director

To: The Honorable R. Brian Ball  
Secretary of Commerce and Trade  
  
House of Appropriations & Senate Finance Committees

From: Tracey G. Wiley, Director   
Virginia Department of Small Business and Supplier Diversity

Date: October 30, 2020

CC: Turner Widgen, Special Assistant to the 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 2020 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.

During this quarter, the agency has worked in partnership with Virginia Community Capital to deploy the \$70 million of CARES Act funding secured last quarter to struggling Virginia small businesses. Since the program launched in August the agency has processed more than 7,000 applications and awarded 1,252 grants totaling \$34,238,764. Due to the demand for the program an additional \$30 million has been allocated for deployment. The agency has worked tirelessly to provide support to applicants and will continue to do so until all program funds are deployed. It has been heartwarming to hear from the businesses who have been saved by receiving a grant award through this program.

Not only has the agency been focused on supporting businesses through grant relief efforts but also traditional lending opportunities offered by the Virginia Small Business Financing Authority (VSBFA). This quarter the VSBFA approved an application for both Grayson County Economic Development Authority and McAllister Mills, Inc. VSBFA approved an equipment loan in the amount of \$190,000 to finance the purchase of a new flame retardant product line for McAllister Mills, Inc., a company that has been in operation in Grayson County since 1978. As a result of this financing McAllister Mills injected \$500,000 into Research & Development, and spent the \$190,000 on equipment, for a total investment of \$690,000. This product line expansion is allowing the company to retain 49 jobs and create five new ones. The programs offered by the VSBFA are vital to support small business financing needs that can't readily be met by the private lending market.

The agency is in the final phases of the Disparity Study process and expects the final report from BBC Research and Consulting to be delivered in the next reporting cycle. During this reporting

period the agency held several public meetings virtually to continue to inform business owners of the study purpose and provide opportunities for participation. BBC Research and Consulting held focus groups with minority business advocacy entities, woman business advocacy entities, small business advocacy entities, and trade associations. BBC is in the final stages of utilization and availability analysis and will have a draft report to the agency by the end of November.

Lastly, the agency would like to thank the Joint Legislative Audit & Review Commission (JLARC) for their work on the SBSO Operations and Performance Review which concluded at the end of this reporting period. The report highlighted the operational successes of a number of initiatives undertaken by the agency and agency leadership specifically the improvements in the agency certification processes. There were a handful of recommendations, fourteen that were actionable by the agency, all which highlighted opportunities for continuous improvement. Several were opportunities to provide additional information or resources on the agency website all which are complete or in progress. Many of the VSBFA recommendations spoke to enhanced communication opportunities with the Board and evaluation of risk tolerance that the Authority and Board is willing to accept. These recommendations will require additional evaluation as accepting more risk will need to be balanced with the need to preserve fund balances to ensure the VSBFA can continue to reuse funds repaid to make new loans as they receive no infusion of funding from the General Assembly.

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, 2020**

**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 2020

### 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 (Work Plan Measure)
- Number of presentations to financial institutions and economic development partners (Strategic Plan Measure)
- Total number of jobs created and retained by small business borrowers as a result of VSBFA programs (Work Plan Measure)
- Total numbers of jobs created and retained in rural areas for all borrowers (Work Plan Measure)
- Total private investment enabled for borrowers under all VSBFA programs (Work Plan Measure)
- Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities (Strategic Plan Measure)
- Average number of days to process a Small, Women, and Minority (SWaM) certification application (Strategic Plan Measure)
- Support of service disabled veteran businesses through certification (Strategic Plan Measure)

## Virginia Small Business Financing Authority (VSBFA)

Number of jobs created and retained by all 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. **(Baseline 400; Goal 400)**  
Q1. 13,658  
Q2. 5,055 (YTD 18,713)  
Q3. 712 (YTD 19,425)  
Q4.

Number of presentations to financial institutions and economic development partners

- Staff will provide data quarterly on the amount of marketing presentations and the economic development and banking partners associated. **(Baseline 150; Goal 300)**  
Q1. 80  
Q2. 86 (YTD 166)  
Q3. 52 (YTD 218)

#### 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 (**Baseline 200; Goal 300**)

Q1. 174

Q2. 61 (YTD 235)

Q3. 6 (YTD 241)

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. See appendix. (**Baseline 150; Goal 150**)

Q1. 168

Q2. 54 (YTD 222)

Q3. 676 (YTD 898)

Q4.

Total private investment enabled for borrowers under all VSBFA programs

- Staff will provide data on the total private investment (non-VSBFA) enabled for borrowers under all VSBFA programs. (**Baseline \$5,250,000; Goal \$7,500,000**)

Q1. \$126,981,514

Q2. \$178,443,000 (YTD \$305,424,514)

Q3. \$ 16,600,000 (YTD \$322,024,514)

Q4.

## SWaM Certification Division (SWaM)

Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities

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

Q1. SWaM = 12,272 DBE = 2,799 Total = 15,071

Q2. SWaM = 12,254 DBE = 2,824 Total = 15,078

Q3. SWaM = 12,238 DBE = 2,923 Total = 15,161

Q4.

Average number of days to process a Small, Women, and Minority (SWaM) certification application

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

Q1. 56

Q2. 54

Q3. 53

Q4.

Support of service disabled veteran businesses through certification

- Staff will provide data quarterly on the number of service disabled veteran small businesses certified. **(Baseline 250; Goal 500)**  
Q1. 431  
Q2. 456  
Q3. 495  
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 education and outreach activities conducted to assist Virginia small businesses with strategic growth and development (Strategic Plan 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 (Work Plan Measure)**
- **Number of businesses served through Business One Stop (Work Plan Measure)**
- **Number of partners worked with annually to support Virginia small businesses (Strategic Plan Measure)**
- **Number of VDOT projects supported through vendor development and technical assistance (Work Plan Measure)**

### **Business Development and Outreach Services (BDOS)**

Number of education and outreach activities conducted to assist Virginia small businesses with strategic growth and development

- Staff will provide data quarterly on the number of outreach events and/or activities held or participated in annually. **(Baseline 1,000; Goal 1,700)**  
Q1. 503  
Q2. 597 (YTD 1,100)  
Q3. 384 (YTD 1,484)  
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

- This data will be provided by Interise on an annual basis. **(Baseline 30%; Goal 30%)**  
Q1. N/A annual metric  
Q2. N/A annual metric  
Q3. N/A annual metric  
Q4.

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. 599  
Q2. 714 (YTD 1,313)  
Q3. 1,064 (YTD 2,377)  
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. **(Baseline 100; Goal 160)**  
Q1. 160  
Q2. 119 (YTD 279)  
Q3. 96 (YTD 375)  
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. **(Baseline 10; Goal 10)**  
Q1. 3  
Q2. 5 (YTD 8)  
Q3. 5 (YTD 13)  
Q4.

## Audit Compliance and Corrective Action:

The Department of Small Business and Supplier Diversity has had eleven audits and performance reviews and VSBFA has had five since FY15. The agency just concluded a performance and operations review by the Joint Legislative Audit and Review Commission (JLARC). Their review commenced January of 2020 and concluded in September of 2020. The recommendations and corrective action will be added next reporting cycle. SBSB participated in an Auditor of Public Accounts (APA) review of its Information Systems Security program. The APA report hasn't been finalized.

## The agency audits/review recommendations are listed below:

DSBSD			
Fiscal Year	Agency	Description	Findings/Recommendations
FY20	APA	Information Systems Security Audit	Notification received 4.23.20
FY20	JLARC	Performance and Operations Review	Currently Underway
FY19	APA	Internal Controls Review and Audit	No findings
FY18	APA	Procurement Review and Audit	No findings
FY18	JLARC	Incentive Review of SBJGF	No findings for the agency, recommendation to the GA to look at wage rate
FY18	JLARC	Fiscal Impact Statement Review for SB318	No findings, impact statement for DSBSD was deemed accurate
FY18	VITA	Sensitive Systems Audit	Provide role based security training to appropriate personnel Develop a continuous monitoring program for vulnerabilities Develop IT Security Plans for each application Have users acknowledge policy adherence
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 SWaM needed adjustment Recommendation #7 - Prioritize small business certification over W/M Recommendation #8 - Send notifications to businesses ahead of expiration
VSBFA			
Fiscal Year	Agency	Description	Findings/Recommendations
FY18	JLARC	Incentive Review of SBIG	Recommendation #7 - Obtain metrics from grant recipients and collect industry codes Recommendation #9 - VSBFA to review credit conditions, adjust programs as needed Recommendation #10 - VSBFA to establish a minimum job requirement for LGP, CC, and SWaM Microloan Recommendation #11 - VSBFA to monitor employment outcomes for LGP, CC, and SWaM Microloan
FY18	APA	VSBFA Federal Grants Audit	Increase policy and procedure creation for Economic Development Federal Loan programs
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:**

<b>DSBSD</b>			
<b>Fiscal Year</b>	<b>Agency</b>	<b>Description</b>	<b>Corrective Action</b>
FY20	APA	Information Systems Security Audit	
FY20	JLARC	Performance and Operations Review	
FY19	APA	Internal Controls Review and Audit	None
FY18	APA	Procurement Review and Audit	None
FY18	JLARC	Incentive Review of SBJGF	None
FY18	JLARC	Fiscal Impact Statement Review for SB318	None
FY18	VITA	Sensitive Systems Audit	Complete
			Complete
			Complete
			Complete
FY17	Third Party Vendor	ARMICS review to evaluate agency-wide and transactional internal controls	Complete
			Budget Requests Submitted/No funding
			Complete
FY17	OSIG	SWaM Certification Performance Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
			Complete
			Complete
FY17	APA	Payroll Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
FY17	APA	Internal Controls Audit (Review Period FY16)	Complete
			Complete
			Complete
			Complete
			Complete
FY17	Third Party Vendor	Independent Assessment of VSBFA Audits and Transfers as well as SBIG and SBJGF	Complete/Legislation was introduced
			Complete
FY16	JLARC	Development and Management of State Contracts in Virginia	Complete
		Thirty recommendations provided only 4 pertained to DSBSD	Complete
			Complete
			Complete
<b>VSBFA</b>			
<b>Fiscal Year</b>	<b>Agency</b>	<b>Description</b>	<b>Corrective Action</b>
FY18	JLARC	Incentive Review of SBIG	Complete
			Underway
			Unable to implement/communication sent to JLARC
			Complete
FY18	APA	VSBFA Federal Grants Audit	Complete
FY17	APA	Annual Financial Review (Review Period FY16)	None
FY16	APA	Annual Financial Review (Review Period FY15)	None
FY15	APA	Annual Financial Review (Review Period FY14)	Complete
			Complete

## **Discussion Points:**

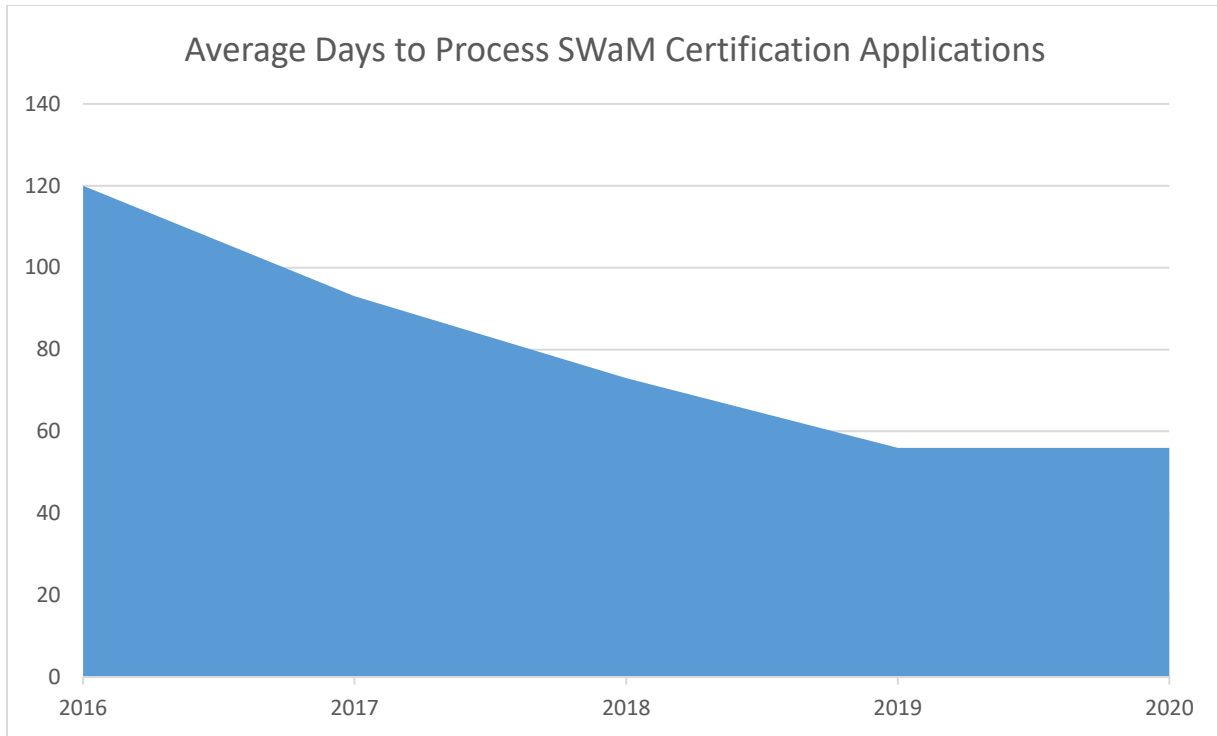
The agency is committed to supporting small businesses by providing access to capital, opportunity through state and federal certification, and growth through comprehensive development programs. Since the merger of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (DMBE) to create the Department of Small Business and Supplier Diversity (DSBSD) in FY15 the agency has flourished. Under the direction of new leadership, the two agencies became one and shared goals and vision were established.

The first order of business, once the mission of the agency was solidified, was to develop the infrastructure necessary to allow the agency to be successful. This required the build out of office space so both agencies could work together as one cohesive unit. Next staffing needed to be addressed; attracting new talent, addressing performance issues, and developing high potential employees was a priority. Once infrastructure was in place then current programming and performance of that programming could be evaluated. Strategic planning and SWOT analysis was completed and new performance metrics were established. Through this planning effort new programming opportunities were identified and the agency added the Virginia Scaling 4 Growth program and the Virginia Contractor's Course to our business development offerings.

By the end of FY20, we expect to have graduated ninety-five SWaM businesses from the Virginia Scaling 4 Growth program. Virginia is the first State to offer this nationally renowned program. The program is a six-month MBA style program designed to take businesses through leadership, finance, and business management modules with their final capstone project being the completion of a growth program that they can put into action upon graduation. Based on economic impact data we have captured from our graduates, 80 percent retained or created new jobs. The average revenue growth was 44 percent after completion of the program. Virginia's program results have been so impressive that Interise, the national licensing organization, has used Virginia's results as a model of success for other participants.

The agency has also made tremendous strides as it relates to streamlining the SWaM Certification process and in reducing time to process applications. 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 identified strategies to manage the application volume and instituted new technology to automate the process. As of FY18, the agency was able to clear the backlog and reduce processing times to less than 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.

In FY20, the agency finalized streamlining efforts to reduce the burden of certification to the business owner. The agency finalized regulatory changes that reduced the amount of time a business must wait to reapply after being denied certification from 12 months to six months. The agency implemented changes that allowed more time for reapplication increasing the reapplication period from 90 days to 120 days. The agency implemented a streamlined recertification process that allows for an attestation of no change allowing the business to submit less documentation when reapplying. We have held webinars and certification labs statewide to assist applicants with the process. We have conducted outreach and increased the number of certified service disabled veteran owned businesses by 121 percent since FY18.



The agency has also been successful in updating its technology to meet the needs and expectations of the citizens of the Commonwealth. In 2017, the agency launched a new website as well as a new certification application portal. The agency created an enhanced SWaM and DBE directory to assist Commonwealth procurement officials with identification and location of certified vendors. DSBSD, in 2018, worked with nineteen state agencies to provide them with real time data feeds on SWaM certification information. These feeds populate SWaM certification data into DGS’s eVA system, DOA’s Cardinal system, VITA’s subcontractor portal and various institutions of higher education’s ERP systems. The agency launched a new Expenditure Dashboard application in FY20, which contained enhanced reporting, adjustment submission, and subcontractor submission capabilities. The agency has begun work to enhance the Business One Stop application.

The agency has accomplished a great deal and appreciates the opportunity to highlight the work that has been done and the work that will be accomplished in this upcoming reporting period. We stand ready to continue our support of the small businesses of the Commonwealth. There are currently 745,886 businesses in Virginia, of which 99.5 percent are small businesses. Virginia small businesses employed 1.5 million people or 47.2 percent of the private workforce in 2013. Our small businesses are the backbone of Virginia’s 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.