



Glenn Youngkin
Governor

COMMONWEALTH of VIRGINIA


Caren Merrick
Secretary of Commerce & Trade

Department of Small Business and Supplier Diversity

Matthew James
Director

To: The Honorable Caren Merrick
Secretary of Commerce and Trade

House of Appropriations & Senate Finance Committees

From: Matthew James 
Director, Department of Small Business and Supplier Diversity

Date: July 13, 2022

CC: Laura L. Wilborn, Division of Legislative Automated Systems

Subject: Department of Small Business and Supplier Diversity Work Plan: 1st Quarter

We appreciate the opportunity to share with you the work that has been accomplished in the first quarter of the year in relation to our 2022 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, in this quarter, the achievements of the Certification Division.

The Certification Division is responsible for the administration of Virginia's business certification programs. Its mission is to ensure only bona fide Small, Woman-owned, and Minority-owned Businesses (SWaM), Disadvantaged Business Enterprises (DBE), and Employment Services Organizations (ESO) are certified to participate in Virginia's specialized procurement and contracting opportunities.

During this quarter, the Certification Division has processed SWaM certifications with an average processing time of fifty (50) days, supported 691 service-disabled veteran owned businesses, and currently has approximately 17,914, SWaM and DBE businesses certified in the SBSB Directory.

The Certification Division processed approximately 70 new DBE applications with 40 new DBE firms added to the Directory. Approximately 254 DBE firms were approved for continued DBE eligibility. These accomplishments continue to highlight Virginia's Certification Directory as one of the largest in the Nation.

We will report, in the next quarter, the achievements of the Virginia Small Business Financing Authority.

We look forward to updating you at the end of July 2022, on our progress and performance in the second quarter of the year. We plan to continue 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 addresses in this report.

**Department of Small Business and Supplier Diversity
Agency Work Plan
January 1-December 31, 2022**

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.

Proposed: SBSD provides education and assistance; economic opportunity; and access to capital for small businesses to enhance the economy of Virginia.

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 2022

Agency Goal I:

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:

- Total number of jobs created and retained by *all* businesses from VSBFA capital access programs (Work Plan Measure)
- Total number of jobs created and retained by *small* businesses from VSBFA capital access programs (Work Plan Measure)
- Total number of jobs created and retained by *small* businesses in rural areas from VSBFA capital access programs (Work Plan Measure)
- Total private investment enabled for *all* businesses from VSBFA capital access programs (Work Plan Measure)
- Total private investment enabled for *small* businesses from VSBFA capital access programs (Work Plan Measure)
- Total VSBFA funds utilized for *small* businesses from VSBFA capital access programs (Work Plan Measure)
- Number of presentations to financial institutions, economic development and stakeholder partners (Strategic 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)

Total number of *Jobs Created and Retained* by *all* businesses from VSBFA capital access programs:

- Staff will provide data quarterly on the number of jobs created and retained from VSBFA's *Loan, Credit Support, Investment Grant* and *Bond* programs. **(Baseline 400; Goal 400)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	104			10	2	76		16		

Total number of Jobs Created and Retained by small businesses from VSBFA capital access programs:

- Staff will provide data quarterly on the number of jobs created and retained from VSBFA's *Loan, Credit Support* and *Investment Grant* programs (Bond program excluded). **(Baseline 400; Goal 400)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	104			10	2	76		16		

Total number of Jobs Created and Retained by small businesses in rural areas from VSBFA capital access programs:

- Staff will provide data quarterly on the number of jobs created and retained in rural areas from VSBFA's *Loan, Credit Support* and *Investment Grant* programs (Bond program excluded). **(Baseline 150; Goal 200)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	10			10						

Total Private Investment Enabled for all businesses from VSBFA capital access programs:

- Staff will provide data quarterly on the total private investment enabled for all businesses from VSBFA's Economic Development, Cash Collateral, Loan Guarantee, Investment Grant and Bond programs. **(Baseline \$7,500,000; Goal \$10,000,000)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	\$1,105,000			1,105,000						

Total Private Investment Enabled for small businesses from VSBFA capital access programs (new):

- Staff will provide data quarterly on the private investment enabled from VSBFA's Economic Development, Cash Collateral, Loan Guarantee and Investment Grant programs (Bond program excluded). **(Baseline \$7,500,000; Goal \$7,500,000)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	\$1,105,000			1,105,000						

Total Funds Utilized for small businesses from VSBFA's capital access programs (new):

- Staff will provide data quarterly on the funds utilized for VSBFA's Microloan, Child Care, Economic Development, Cash Collateral, Loan Guarantee and Investment Grant programs (Bond program excluded). **(Baseline \$5,000,000; Goal \$10,000,000)**

	Total	R1	R2	R3	R4	R5	R6	R7	R8	R9
Q1	\$496,250			276,250	25,000			170,000	25,000	

Total number of Presentations to financial institutions, economic development and stakeholder partners:

- Staff will provide data quarterly for the number of presentations made to VSBFA's centers of influence to advance its access to capital programs. **(Baseline 150; Goal 600)**

	Total
Q1	246

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 17,000)**

Q1. SWaM = 14,788 DBE = 3,126

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. 50

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 750)**

Q1. 691

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.

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 1,900)**

Q1. 1053

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

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 2,500)**

Q1. 1,049

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 220)**

Q1. 93

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 15)**

Q1. 1

Sourcing and Compliance Division (SAC)

Work with procurement officials and businesses in the Commonwealth to strategically source small, woman, and minority-owned (SWaM) participation on large dollar Commonwealth contracts

- Engage with procurement officials and businesses in the Commonwealth to strategically source Small, woman, and minority-owned (SWaM) participation on large dollar Commonwealth contracts (Baseline: 115 state agencies) (Goal: 115)
- Engage with Higher Education Institutions to strategically source SWaM vendors on university procurements and contracting. (Baseline: 62 universities) (Goal: 31 - #submitting SWaM Plans)
- Identify and engage with prospects for the Small, Woman-owned, and Minority-owned (SWaM) Program for sourcing and contracting opportunities (Baseline: 0) (Goal: 50)
- To increase the discretionary SWaM spend of the identified top 5 agencies and HEIs
Baseline: 32.75% (Average actual FY21 spend) Goal: 33.75%

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 Joint Legislative Audit and Review Commission (JLARC) review is complete. Their review commenced January of 2020 and concluded in September of 2020. The agency has addressed the majority of recommendations and expects to have all completed in 2021.

The agency audits/review recommendations are listed below:

DSBSD			
Fiscal Year	Agency	Description	Findings/Recommendations
FY20	APA	Information Systems Security Audit	Final Report In Process
FY20	JLARC	Performance and Operations Review	Post Certification Webinars to Agency Website Implement Appeal Process for New Applicants Update Denial Letters to Clarify Appeals Versus Waiver Creation of Marketing Plan for BDOS Posting of BDOS Events on Agency Website for On-Demand Viewing Develop a Report on Necessary Updates to BOS to be Submitted to the GA Develop Utilization Goals for each Loan Program Track and Report Progress on Utilization Goals Develop Loan Guidelines and Policies Around Risk Assessment Develop Risk Assessment Tool Annual Review of Risk of Loan Portfolio Ensure Banks are Notifying VSBFA of High Risk Loans Identify Timeframes for VSBFA Loan Application Processing Prepare a VSBFA Plan to Address Risk Assessment and Loan Utilization Recommendations Additional Support to Agencies on SWaM Goal Achievement
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 VJJP
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:

DSBSD			
Fiscal Year	Agency	Description	Corrective Action
FY20	APA	Information Systems Security Audit	
FY20	JLARC	Performance and Operations Review	Complete
			Complete
			Complete
			Complete
			In Progress
			In Progress
			Complete
			In Progress
			Complete
			In Progress
			In Progress
			In Progress
			In Progress
			Complete
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
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
VSBFA			
Fiscal Year	Agency	Description	Corrective Action
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:

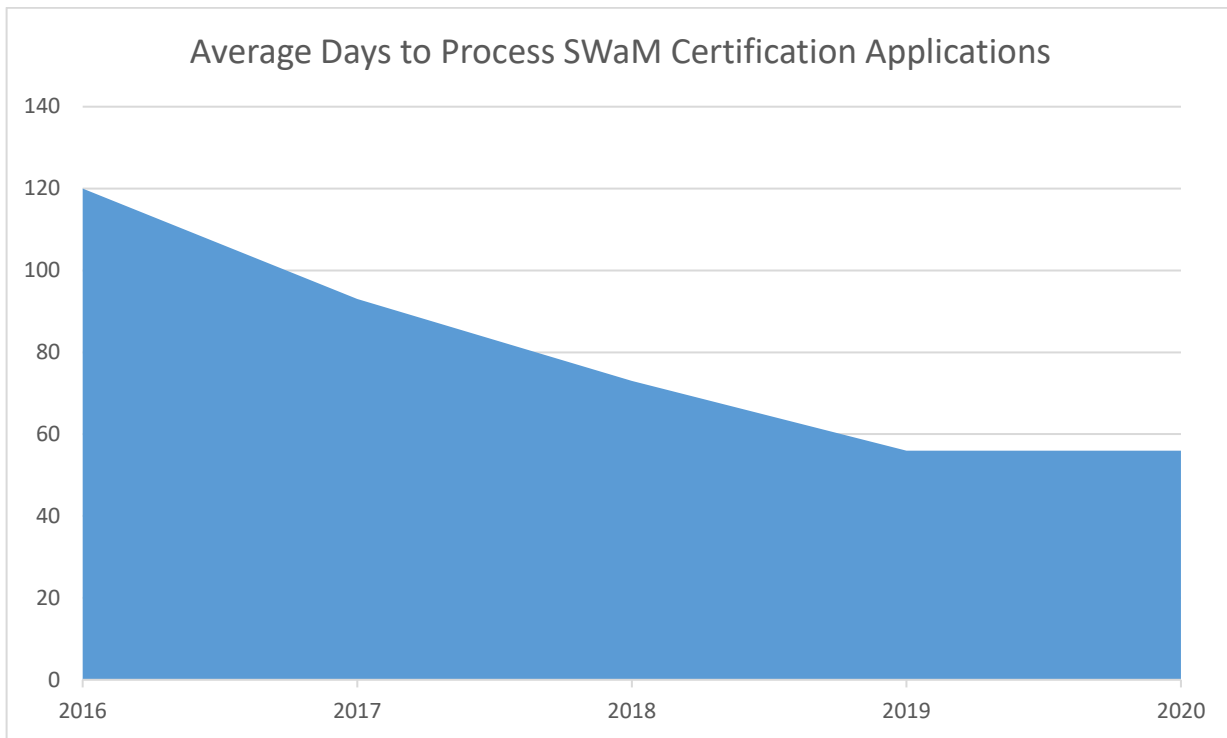
The agency is committed to supporting small businesses by providing access to capital, opportunity through state and federal certification, and growth through comprehensive development programs. Since the merger of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (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 December 2022, we anticipate 13 more businesses graduated (July) with another 16 in the program (starting August). Virginia is the first State government to offer this nationally renowned program. The program is a six-month MBA (coined StreetWise 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, 61 percent retained or created new jobs. 50% of graduates reported that they increased or maintained annual revenue. Virginia's program has had such great success that Interise, the national licensing organization, has used Virginia's results as a model of success for other participants and ranked the Virginia program as number 1 in the country.

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.