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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 16, 2018

Ms. RoAnn M. Destito
Commissioner
Office of General Services
Corning Tower
Empire State Plaza
Albany, NY 12242

Re: Service-Disabled Veteran-Owned
Business Program Implementation
Report 2017-F-28

Dear Commissioner Destito:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of General Services to implement the recommendations contained in our audit report, *Service-Disabled Veteran-Owned Business Program Implementation* (Report 2015-S-81) issued September 7, 2016.

Background, Scope, and Objective

The Service-Disabled Veteran-Owned Business Act (Act) was signed into law on May 12, 2014 to encourage and support eligible veteran-owned businesses to play a greater role in the State's economy by increasing their participation in State government contracting opportunities. The Act establishes a 6 percent goal for Service-Disabled Veteran-Owned Businesses' (SDVOBs) participation in State contracts. To qualify as a SDVOB, business owners must have received a service-related disability rating of 10 percent or greater from the U.S. Department of Veterans Affairs. The Act also created the Division of Service-Disabled Veterans' Business Development (Division) within the Office of General Services (OGS) to oversee the State's SDVOB Program (Program) and to certify eligible businesses.

The Division established regulations (Title 9, Part 252 of the New York Codes, Rules and Regulations) that require State agencies and public authorities to establish annual SDVOB contract goals, make a good faith effort to achieve those goals, and report on SDVOB usage. Specifically, each State agency and public authority must submit a Master Goal Plan (Plan), or a Plan update, to the Division on or before January 15 of each year. In addition, Plans should contain agency-specific SDVOB contract goals expressed as a percentage of total contract spending.

In 2015, the Division launched the Program with a pilot group of ten agencies and authorities (Pilot Group) that management believed were best equipped to use SDVOBs in the Program's first year. During 2015, all ten Pilot Group entities were expected to submit Plans and quarterly reports to the Division. Starting in 2016, the Division required all State agencies and public authorities to submit Plans and quarterly reports.

As of January 26, 2018, the Division has 438 certified SDVOBs. During the period October 1, 2016 through September 30, 2017, the Division reported that State agencies and public authorities awarded 1,803 purchases and/or contracts with an award value of \$32.6 million, of which \$22 million was disbursed.

Our initial audit report, covering the period June 1, 2014 through December 31, 2015, evaluated the extent of progress OGS had made implementing the SDVOB Program. We found the Division had made substantial progress carrying out its responsibilities to implement the Program during the 18 months since the Act was created. However, the Division had not yet developed a written, comprehensive statewide plan for implementing the Program that includes progressive milestones and participation goals. The Program could also have benefited from additional efforts to identify and address barriers to SDVOB development, which, if not addressed, could present challenges to agencies' and authorities' efforts to meet the State's 6 percent participation goal.

The objective of our follow-up audit was to assess the extent, as of February 8, 2018, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

We found the Division addressed the problems we identified in the initial audit, having implemented both of the prior audit's recommendations.

Follow-Up Observations

Recommendation 1

Develop a formal strategic plan to guide the Program's future development. The plan should address, but not necessarily be limited to:

- *Future implementation activities and milestones in areas such as certification, marketing, and training;*
- *Division resource needs;*
- *Agency and authority plans and reporting; and*
- *Performance monitoring, both at the agency and authority level and on a statewide basis.*

Status – Implemented

Agency Action – The Division has developed a formal written strategic plan to guide the Program. The plan includes specific measurable goals with performance indicators and

specific program development accomplishments and activities. The plan lays out the implementation of the SDVOB certification system and describes the Division's business and organization outreach activities, which include SDVOB development and agency and authority engagement. The plan also includes an analysis of the Program's strengths and weaknesses, along with specific tasks the Division plans to accomplish to address some the weaknesses.

Recommendation 2

Expand efforts to gather and analyze information on agency contracting needs and potential service gaps, and work with strategic partners to increase the pool of certified SDVOBs to address any unmet needs.

Status – Implemented

Agency Action – The Division continues to gather and analyze information on agency contracting needs and service gaps. The Division works with its strategic partners to increase the pool of certified SDVOBs. The Division has created its own map to visualize where there are service gaps. Once certain areas are identified, the Division finds strategic partners and holds events to promote the SDVOB Program. Throughout the year, the Division works with agencies and authorities to help them with their goal plans. In addition, the Division has started requiring agencies and authorities to report their efforts to increase their use of certified SDVOBs. The Division also corresponds with the SDVOBs to share information among the business community to foster certification with other businesses.

Major contributors to this report were Mark Ren, Todd Seeberger, Theresa M. Nellis-Matson, and Dylan Spring.

Very truly yours,

Mark Ren, CISA
Audit Manager

cc: Theresa Bonneau, Audit Liaison
Division of the Budget