



OFFICE OF THE AUDITOR GENERAL

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Performance Audit

Report Highlights

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Performance Audit of the State's BEP and VBP Programs

Background:

On February 20, 2024, the Legislative Audit Commission adopted Resolution Number 166 requiring a performance audit of both the State's Business Enterprise Program, including the certification program for businesses owned by minorities, women, and persons with disabilities, and the State's Veterans Business Program for FY22 and FY23. Auditors established the audit period as FY22-FY24. The Resolution contained six determinations.

The Business Enterprise Program began in 1984 to encourage participation in the State's procurement process as both prime contractors and subcontractors. State contracts that fall under the authority of the Commission on Equity and Inclusion include, but are not limited to: insurance, investment management, information technology, accounting, legal, and architectural and engineering. To be certified, vendors must provide proof that they are owned and controlled by one or more eligible individuals.

The Business Enterprise Program (BEP) and Veterans Business Program (VBP) are administered by the Illinois Commission on Equity and Inclusion (CEI). State agency contracts with a contract value of \$100,000 or greater are subject to BEP and VBP goals, unless exempted. The overall statewide goal increased to 30 percent effective January 1, 2022.

Key Findings:

- Auditors tested 65 vendor files, including 31 Full BEP/VBP files and 34 Recognition Certification files. Auditors, in most cases, agreed that there was adequate documentation to meet program qualifications; however, based upon available information, auditors could not determine if 3 of the 65 (5%) vendor files tested met the requirements to be qualified for the respective program.
 - One Full BEP vendor appeared to be owned by an ineligible owner. The most recent business tax returns provided at the time of certification (2020 and 2021) indicated the ineligible owner was the 100 percent shareholder. The vendor file was missing information, such as individual tax returns, and the certification analyst did not conduct a site visit or any other in-depth interview to assess ownership and control.
 - One Full VBP vendor was certified, but auditors could not find documentation to support that: 1) the business had a home office in Illinois; and 2) that the veteran was living in Illinois.
 - One BE BEP vendor file lacked evidence of certification by an approved certifying entity.
- Auditors determined that the established certification procedures in place for Full BEP and Full VBP applicants are comprehensive and adequate to assure that businesses are legitimately qualified to participate in the programs; however, auditors encountered a lack of documentation suggesting that established procedures were not always followed. Auditors tested 25 Full BEP and 6 Full VBP and found deficiencies in the vendor files for 15 of the required documentation requirements. Nine of these documentation requirements were missing for just one or two vendors; however, 6 of the 15 documentation requirements were missing from multiple vendor files.

Full BEP/Full VBP – a certification conducted by CEI staff, which requires submission of numerous documents to verify a vendor's status as owned and controlled by a minority, woman, person with a disability, or a veteran.

BE BEP/FastTrack – Recognition Certifications which allow vendors certified by one of the partner entities to apply for BEP certification with scaled down documentation requirements.

- CEI was unable to provide all requested documents and dates due to a data migration and the inability to access files from the previous system. In addition to the missing documents, CEI was unable to provide various application and No Change Application processing dates, such as date submitted, date(s) of request(s) for information, and date the application was accepted and ready for a Certification Analyst to review. As a result, auditors were unable to calculate the timeliness of the application and No Change Application processes.
- The FastTrack Recognition Certification entities do not have a cap on gross sales as a requirement for certification and allow for higher gross sales than what is allowed through CEI BEP certification. Auditors tested five FastTrack approved vendors and requested all related certification documents. The certification documents auditors received for these five vendors did not include any company income taxes. It is unclear how CEI was confirming and ensuring that the vendor's gross annual sales did not exceed the gross sales maximum for program eligibility.
- To determine whether certifications are periodically reviewed for continued program participation, auditors reviewed a total of 24 No Change Applications for Full BEP and Full VBP vendor files. Many of the No Change Applications contained all required documents; however, there were some documents missing: 3 out of 24 were missing the no change affidavit, and 9 out of 24 were missing business income taxes.
- CEI officials noted that the list of contracts tracked during FY22-FY24 only included contracts with supplier diversity goals under the Chief Procurement Office for General Services, which does not include all construction and non-construction agencies, boards, commissions, public universities, and community colleges. It is difficult for CEI to monitor compliance with the required BEP goals if contracts from all purchasing entities subject to the BEP Act are not tracked.
- CEI did not have a formalized training process in place for certification staff. Training files for two of six CEI certification staff lacked documentation to support that the staff received training specific to certification. One of these two certification staff was a new employee, and the training files lacked documentation of the training received during the onboarding process.
- Certain policies and procedures were outdated and conflict with current statutory requirements.
- The BEP Act requires the creation of a Special Committee on Minority, Female, Persons with Disabilities, and Veterans Contracting; however, this committee has not met since its inception (30 ILCS 575/8j).

Key Recommendations:

The audit report contains ten recommendations directed to the Illinois Commission on Equity and Inclusion including:

- The Commission on Equity and Inclusion should ensure that all applicants certified through the Full BEP and Full VBP certification process meet the requirements for certification. The Commission should also improve its process to ensure it collects and retains all documents required for certification.
- The Commission on Equity and Inclusion should ensure No Change Applications are submitted and contain all required documents to ensure vendors continue to be qualified for certification.
- The Commission on Equity and Inclusion should work to gain access to the data and documents that are unavailable due to the data migration. Additionally, CEI should develop a procedure to ensure future data migrations do not result in data that is inaccessible.
- The Commission on Equity and Inclusion should track contracts from all purchasing entities subject to the BEP Act to monitor compliance with the required goals.
- The Commission on Equity and Inclusion should update its administrative rules, policies, and procedures to reflect current statutory requirements.
- The Commission on Equity and Inclusion should develop a formalized training process for certification staff.
- The Commission on Equity and Inclusion should meet with other certifying entities to help ensure BEP Council requirements and procedures are being met as required by the BEP Administrative Rules (44 Ill. Adm. Code 30.63).

This performance audit was conducted by the staff of the Office of the Auditor General.

Report Digest

On February 20, 2024, the Legislative Audit Commission adopted Resolution Number 166 requiring a performance audit of both the State’s Business Enterprise Program, including the certification program for businesses owned by minorities, women, and persons with disabilities, and the State’s Veterans Business Program for the period FY22 and FY23. In addition to FY22 and FY23, auditors included FY24. The Resolution contained six determinations. Our assessment of these determinations is shown in Digest Exhibit 1. (pages 1-2)

Digest Exhibit 1

ASSESSMENT OF AUDIT DETERMINATIONS

Determination from Audit Resolution

Auditor Assessment

Whether certification and recertification procedures are adequate to assure that businesses participating in the Business Enterprise Program are legitimately classified as businesses owned and controlled by minorities, women, or persons with disabilities and that businesses participating in the Veterans Business Program are legitimately classified as a Veteran Owned Business.

- Auditors determined that the established certification procedures in place for Full BEP and Full VBP applicants are comprehensive and adequate to assure that businesses are legitimately qualified to participate in the programs. The Full BEP and Full VBP checklists are extensive and require documents to support 20 plus questions, some of which require multiple documents. Vendors certified through Recognition Certification (certification by one of CEI’s certification partners) provide CEI with significantly less information by design; however, the certification checklists of documents required by the Recognition Certification entities were fairly extensive and requested many documents of the vendors. (pages 20-25)

Whether the established procedures and processes that govern certification of businesses owned and controlled by minorities, women, persons with disabilities, or veterans are being followed.

- Auditors tested 65 vendor files including 31 Full BEP/VBP files and 34 Recognition Certification files. Auditors noted some deficiencies in documenting compliance with procedures. Auditors tested a total of 31 certification application files (25 Full BEP and 6 Full VBP) to determine if the established procedures and processes for certifying vendors were adequate and being followed. In some instances, auditors encountered a lack of documentation suggesting that established procedures were not always followed. Auditors found deficiencies in the vendor files for 15 of 32 required documentation requirements. Nine of these documentation requirements were missing for just one or two vendors; however, 6 of the 15 documentation requirements were missing from multiple vendor files. Of the 65 vendor files tested, in most cases, auditors agreed that there was adequate documentation to meet program requirements. However, based upon available information,

Digest Exhibit 1

ASSESSMENT OF AUDIT DETERMINATIONS

Determination from Audit Resolution	Auditor Assessment
	<p>auditors could not determine if 3 of the 65 (5%) vendor files tested met the requirements to be qualified for the respective program. Additionally, since FastTrack Recognition Certification vendors are not subject to a gross sales cap, it is unclear how CEI was confirming and ensuring that the vendor’s gross annual sales did not exceed the gross sales maximum for program eligibility when income tax returns were not required and CEI did not have access to the online certification systems as allowed for in interagency agreements. Auditors could not test the timeliness of the application and No Change Application processes because CEI was not able to provide the necessary dates due to system migration issues. (pages 23-27, 30-34)</p>
<p><i>Whether staff responsible for certification of these businesses have received adequate training.</i></p>	<ul style="list-style-type: none"> • CEI did not have a formalized training process in place for certification staff. Training files for two of six CEI certification staff lacked documentation to support that the staff received training specific to certification. One of these two certification staff was a new employee, and the training files lacked documentation of the training received during the onboarding process. (pages 44-46)
<p><i>What steps are followed to verify information provided by businesses participating in the Business Enterprise Program and the Veterans Business Program, such as review of pertinent documentation, interviews, and on-site visits.</i></p>	<ul style="list-style-type: none"> • As part of document verification, a Certification Analyst will perform a review of many documents, including gross receipts entered by the vendor, individual income taxes, and other supporting documents. Supporting documents include mandatory documents, such as the affidavit of certification, most recent financial statements including a balance sheet, and the most recent federal income tax return for the firm and all its affiliates. A Certification Analyst may conduct a site visit. (page 29)
<p><i>Whether the certifications are periodically reviewed to ensure that businesses in the programs continue to be qualified for participation.</i></p>	<ul style="list-style-type: none"> • Full BEP and Full VBP certifications require an annual No Change Application; therefore, vendors who applied with and were certified by CEI are reviewed annually to ensure they remain qualified for participation. There were a total of 24 No Change Applications required for the Full BEP and Full VBP vendor files auditors tested. Many of the No Change Applications contained all required documents; however, there were some documents missing for the 24 No Change Applications including 3 missing the no change affidavit and 9 missing business

Digest Exhibit 1

ASSESSMENT OF AUDIT DETERMINATIONS

Determination from Audit Resolution	Auditor Assessment
<i>Whether procedures for enforcing compliance, including contract termination and contractor suspension, are adequate and uniformly enforced.</i>	<p>income taxes. Auditors tested the annual recertification of vendors certified by Recognition Certification entities and found the files to be generally complete; only 2 of 47 (4%) required documents were missing. (pages 33-35)</p> <ul style="list-style-type: none"> • According to CEI, neither the BEP Act nor CEI’s Administrative Rules give CEI adequate or effective tools to enforce compliance with the BEP Act. Auditors asked four purchasing entities if they utilize enforcement actions when a contractor does not meet their BEP goals. Three out of the four entities reported using enforcement actions (not renewing a contract or similar). CEI officials noted that the list of contracts tracked during FY22-FY24 only included contracts with supplier diversity goals under the Chief Procurement Office for General Services, which does not include all construction and non-construction agencies, boards, commissions, public universities, and community colleges. It is difficult for CEI to monitor compliance with the required BEP goals if contracts from all purchasing entities subject to the BEP Act are not tracked. (pages 40-43)

Source: OAG assessment of the audit determinations contained in LAC Resolution Number 166.

Background

The Business Enterprise Program (BEP) and Veterans Business Program (VBP) are administered by the Illinois Commission on Equity and Inclusion (CEI). Despite the Commission on Equity and Inclusion being a new entity, the BEP and VBP are not new programs. The Business Enterprise Program was previously administered by the Department of Central Management Services before the responsibility was shifted to the Commission on Equity and Inclusion. The Commission on Equity and Inclusion was created through the passage of the Commission on Equity and Inclusion Act effective January 1, 2022 (30 ILCS 574).

State contracts that fall under the authority of the Commission on Equity and Inclusion include, but are not limited to: insurance, investment management, information technology, accounting, legal, and architectural and engineering.

State agency contracts with a contract value of \$100,000 or greater are subject to BEP and VBP goals, unless exempted. Prior to January 3, 2019, BEP goal setting only applied to contracts above \$250,000. The overall statewide goal was previously 20 percent but was increased to 30 percent effective January 1, 2022.

In addition to the overall aspirational goal increasing from 20 percent to 30 percent, the individual category goals increased as well:

- businesses owned by minorities increased from 11 percent to 16 percent;
- women-owned businesses increased from 7 percent to 10 percent; and
- businesses owned by persons with disabilities increased from 2 percent to 4 percent. (pages 2, 10-11)

Certification

To be BEP certified as a minority-owned, woman-owned, or person-with-disability-owned business, a business must meet the following BEP Act requirements:

- have at least 51 percent ownership by a minority, woman, or person with a disability, or in the case of a corporation, ownership of 51 percent of the stock by one or more qualifying persons;
- have at least 51 percent of the business controlled by one or more minority groups, women, or persons with a disability;
- owner must be a citizen of the United States or a lawful permanent resident; and
- have annual gross sales of less than \$150 million (this was previously \$75 million until January 1, 2023).

To be certified as a veteran-owned business, a business must meet the following requirements:

- have at least 51 percent ownership by a qualified veteran who resides in the State of Illinois;
- have annual gross sales of less than \$150 million (this was previously \$75 million until January 1, 2024);
- have a home office in Illinois;
- have a valid DD-214 for the applicant; and
- be an authorized business registered within the State of Illinois.

Digest Exhibit 2 provides the number of BEP and VBP certified vendors broken down by vendor type for FY22, FY23, and FY24. There were increases in nearly all categories from FY22 to FY24.

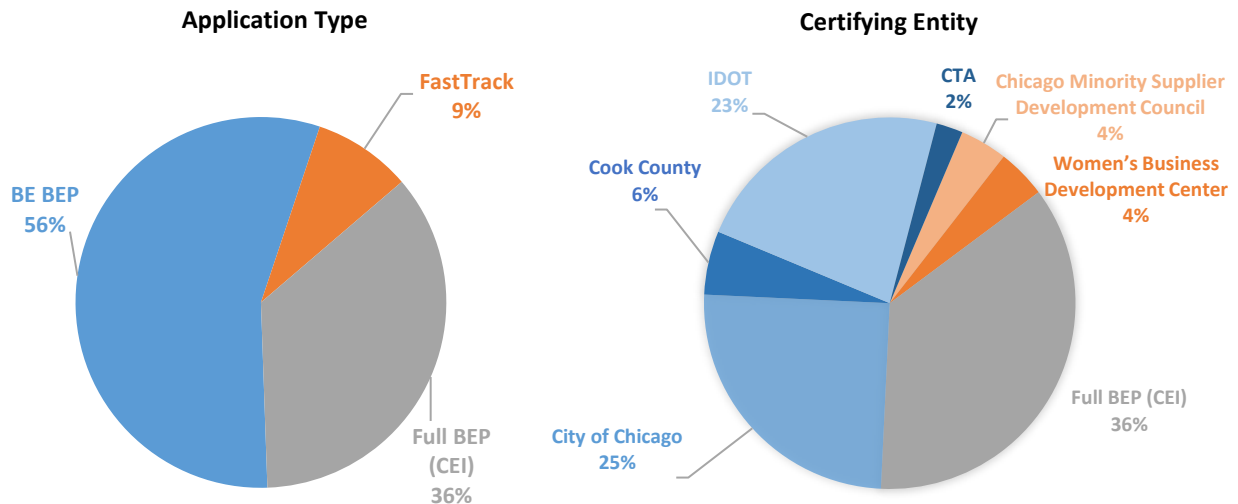
Digest Exhibit 2
BEP AND VBP CERTIFIED VENDOR STATISTICS
 FY22-FY24

Category	FY22	FY23	FY24
BEP Vendors			
Minority-Owned (Male)	1,322	2,357	2,248
Woman-Owned Caucasian	1,102	1,564	1,498
Woman-Owned Minority	862	1,461	1,271
Persons-with-a-Disability-Owned	29	33	32
Totals	3,315	5,415	5,049
VBP Vendors			
Veteran-Owned/Service-Disabled Veteran-Owned	152	207	231

Source: CEI BEP and VBP Annual Reports.

Digest Exhibit 3 provides graphical representations of the number of certifications by application type (Full BEP, BE BEP, and FastTrack) and by certifying entity. (pages 11, 17-19)

Digest Exhibit 3
PERCENTAGE OF BEP VENDORS BY APPLICATION TYPE AND CERTIFYING ENTITY
 FY24



Note: Certifying Entity pie chart does not include PACE, Mid-States Minority Supplier Development Council, or METRA, which in total certified less than 0.7 percent of BEP vendors; therefore, the percentage totals do not add.

Source: OAG analysis of CEI Annual Report data.

Adequacy and Adherence to Certification Procedures

Auditors determined that the established certification procedures in place for Full BEP and Full VBP applicants are comprehensive and adequate to assure that businesses are legitimately qualified to participate in the programs; however, auditors encountered a lack of documentation suggesting that established procedures were not always followed. Auditors tested a total of 31 certification application files (25 Full BEP and 6 Full VBP). Auditors found deficiencies in 15 of the 32 required documentation requirements. Nine of these documentation requirements were missing for just one or two vendors; however, 6 of the 15 documentation requirements were missing from multiple vendor files. With the absence of these documents, it is hard to determine if these vendors were properly and legitimately certified.

Questionable Basis of Certification

Auditors tested 65 vendor files including 31 Full BEP/VBP files and 34 Recognition Certification files. Auditors in most cases agreed that there was adequate documentation to meet program qualifications; however, based upon available information, auditors could not determine if 3 of the 65 (5%) vendor files tested met the requirements to be qualified for the respective program.

- One Full BEP vendor appeared to be owned by an ineligible owner. The most recent business tax returns provided at the time of certification (2020 and 2021) indicated the ineligible owner was the 100 percent shareholder. The vendor file was missing information such as individual tax returns and the certification analyst did not conduct a site visit or any other in-depth interview to assess ownership and control.
- One Full VBP vendor was certified but auditors could not find documentation to support that: 1) the business had a home office in Illinois; and 2) that the veteran was living in Illinois.
- One BE BEP vendor file lacked evidence of certification by an approved certifying entity.

Inaccessible Data and Documents

CEI was unable to provide all requested documents and was unable to answer some questions from auditors due to a data migration and the inability to access files from the previous system. Not all data or files from the old system were captured and migrated to the new system. According to CEI officials, CEI has files that were migrated from the previous system/database that are encrypted, but neither they nor the Department of Innovation and Technology (DoIT) has been able to access this information. CEI does not know exactly what the files contain or do not contain. In addition to the missing documents, CEI was unable to provide various application and No Change Application processing dates, such as date submitted, date(s) of request(s) for information, and date the application was accepted and ready for a Certification Analyst to review. As a result, auditors

were unable to calculate timeliness of the application and No Change Application processes.

Recognition Certification Entity Program Requirements

Auditors found that during the audit period there was no control in place to ensure vendors certified by FastTrack Recognition Certification entities met the gross annual sales maximum requirement of CEI’s BEP program. In most cases, the documents required by Recognition Certification entities met or exceeded the documentation requirements for CEI’s BEP certification. However, due to not following established procedures and processes from the Recognition Certification agreements, auditors noted that there exists the potential for vendors with gross sales above the CEI maximum (thereby making them ineligible) to be certified within the FastTrack application process. As of May 1, 2025, CEI updated the FastTrack Application Checklist to include a requirement for FastTrack applicants to submit current federal income tax returns including all attachments and schedules. (pages 23-28, 30-32)

Periodic Reviews of Program Qualifications

Full BEP and Full VBP certifications require an annual No Change Application; therefore, vendors who applied with and were certified by CEI are reviewed annually to ensure they remain qualified for participation.

Auditors reviewed a total of 24 No Change Applications required for the 31 Full BEP and Full VBP vendor files auditors tested. Many of the No Change Applications contained all required documents; however, 3 of the 24 were missing the no change affidavit and 9 were missing business income taxes.

Vendors certified by Recognition Certification entities also require annual recertifications or no change affidavits as part of their continued certification process. Additionally, these vendors have annual requirements with CEI based on the entity that certified them. Auditors tested the annual recertification with CEI and found the files to be generally complete; only 2 of 47 (4%) required documents were missing. (pages 32-35)

Compliance

CEI officials contend that compliance enforcement is not within their authority and that CEI has not been given adequate or effective tools to enforce compliance with the BEP Act. The BEP Act allows that if, as a result of its monitoring activities, the Commission determines that its goals and policies are not being met by any State agency or public institution of higher education, the Commission may **recommend to the appropriate State agency or public institutions of higher education to:** 1) initiate legal or administrative remedies for violations of contract provisions or rules; and/or 2) revise its plan to provide additional opportunities for participation for BEP vendors. According to CEI, there is a procedure in place, but neither the Council nor CEI has made any formal recommendations to other State agencies or public institutions of higher

education. Additionally, the BEP Council did not reject any of the required annual compliance plans during FY22-FY24, but it did request revisions.

CEI officials noted that the list of contracts tracked during FY22-FY24 only included contracts with supplier diversity goals under the Chief Procurement Office for General Services, which does not include all construction and non-construction agencies, boards, commissions, public universities, and community colleges. It is difficult for CEI to monitor compliance with the required BEP goals if contracts from all purchasing entities subject to the BEP Act are not tracked. (pages 40-43)

Training

CEI did not have a formalized training process in place for certification staff. Auditors tested training files for two of six CEI certification staff. The two training files lacked documentation to support that the staff received training specific to certification. One of these two certification staff was a new employee, and the training files lacked documentation of the training received during the onboarding process. Without a formalized training process, it is difficult to ensure that certification staff receive adequate and appropriate training during onboarding and throughout employment as Certification Analysts. (pages 44-46)

Audit Recommendations

The audit report contains ten recommendations directed to the Commission on Equity and Inclusion. The Commission on Equity and Inclusion agreed with the recommendations. The complete response from the Commission on Equity and Inclusion is included in this report as Appendix D.

This performance audit was conducted by the staff of the Office of the Auditor General.

SIGNED ORIGINAL ON FILE

JOE BUTCHER
Division Director

This report is transmitted in accordance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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