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Disabled Veteran Business Enterprise Program

The Departments of General Services and Veterans Affairs Have Failed to Maximize Participation and to Accurately Measure Program Success

Background

Overseen by the Department of General Services (General Services) and the California Department of Veterans Affairs (CalVet), the Disabled Veteran Business Enterprise (DVBE) program requires that state governmental entities that award contracts for goods and services strive to spend at least 3 percent of the cumulative value of all their contracts on DVBE firms. General Services—the administering entity—certifies a firm as DVBE and makes the information about DVBE firms available to departments that award contracts through its electronic procurement system. Among other duties, General Services reports annually about the State's overall performance in meeting the 3 percent goal and oversees complaints about potential abuse of the DVBE program. CalVet is responsible for promoting the program and monitoring the awarding departments' performance toward meeting the goal.

Key Findings

- Similar to what we found in 2014, the DVBE program benefits only a small percentage of DVBE firms.
 - » Only 133 (or 8 percent) of the 1,671 certified DVBE firms received contracts directly from awarding departments in fiscal year 2017–18. Of these 133 firms, 30 captured 89 percent of the revenue associated with these contracts.
 - » Awarding departments claim difficulty in finding DVBE firms due to lack of qualified DVBE firms that can provide the goods or services the awarding departments need and complexities in using General Services' electronic procurement system.
- Neither General Services nor CalVet has adequately overseen the DVBE program—neither measured the success of outreach efforts to encourage more participation nor considered the types of products and services awarding departments need or struggle to procure from DVBE firms to help shape outreach.
 - » CalVet does not have the necessary staffing and immediate access to data to fully assist underachieving awarding departments in meeting the 3 percent goal nor is it in the best position to do so.
 - » General Services has not provided enough guidance to identify and investigate program abuse.
- The State lacks accurate data to measure the program's success. None of the six awarding departments we reviewed could fully support the value of DVBE contracting activity they reported to General Services during fiscal year 2017–18.

Our Key Recommendations

The Legislature should transfer the responsibility of monitoring and assisting underachieving departments from CalVet to General Services.

General Services should do the following:

- Work with awarding departments to understand why few DVBE firms receive many of the contracts, take steps to remedy the situation, and make its system easier to use for identifying DVBE firms.
- Require awarding departments to perform a secondary review of their DVBE activity reports to ensure accuracy.

CalVet and General Services should assess their outreach efforts and work with awarding departments to target specific types of DVBE firms through their outreach efforts.