

Department of Personnel & Administration

State Contracting Goal for Service-Disabled Veteran-Owned Small Businesses

Performance Audit

May 2026

2556P



Legislative Audit Committee

Senator Lisa Frizell Chair	Senator Mike Weissman Vice Chair
Representative Jennifer Bacon	Senator William Lindstedt
Representative Max Brooks	Senator Rod Pelton
Representative Dusty Johnson	Representative Jenny Willford

Office of the State Auditor

State Auditor	Kerri L. Hunter, CPA, CFE
Deputy State Auditor	Michelle Colin, JD
Audit Manager	Vickie Heller
Audit Project Lead	Dana Berry
Audit Team	Harrison Scudamore



OFFICE OF THE STATE AUDITOR

C O L O R A D O

Working to improve government for the people of Colorado.



OFFICE OF THE STATE AUDITOR
KERRI L. HUNTER, CPA, CFE • STATE AUDITOR

May 29, 2026

Members of the Legislative Audit Committee:

This report contains the results of a performance audit to assess the State's processes for measuring and reporting on its goal for contracting with service-disabled veteran-owned small businesses (SDVOSBs). The audit was conducted pursuant to Section 2-3-108, C.R.S., which requires the State Auditor to conduct a special audit requested by a member of the General Assembly or the Governor, when approved by a majority vote of the Legislative Audit Committee. The Legislative Audit Committee approved this audit in response to a legislative request, which expressed concerns regarding the State falling short of its 3 percent procurement goal for contracting with SDVOSBs since being established in 2014, and inquired what can be done to further the State's progress going forward. The report presents our policy considerations, finding, conclusions, and recommendations, and the responses of the Department of Personnel & Administration.

Kerri L. Hunter



Contents

Report Highlights	1
-------------------	---

Chapter 1

Service-Disabled Veteran-Owned Small Business State Contracting Goal	3
SDVOSBs Certified in Colorado	3
Seeking Contracts with the State	5
Annual Progress Towards the SDVOSB Contracting Goal	6
Audit Purpose, Scope, and Methodology	8
Policy Considerations for a Path to Progress Towards the State SDVOSB Contracting Goal	10
Policy Consideration #1	13
Policy Consideration #2	17
Policy Consideration #3	22
Finding 1 – Annual SDVOSB Reporting and Other Information Sharing by DPA	23
Recommendation 1	31

Appendix A

SDVOSB Contracting by Agency, as Reported by DPA	A-1
--	-----



Report Highlights



State Contracting Goal for Service-Disabled Veteran-Owned Small Businesses

Department of Personnel & Administration

Performance Audit • May 2026 • 2556P

OFFICE OF THE STATE AUDITOR

C O L O R A D O

Key Concern

The State remains well short of its goal to award 3 percent of contracts to service-disabled veteran-owned small businesses (SDVOSBs) and will continue to face challenges with progressing towards the goal unless barriers are removed. We identified issues that the General Assembly may want to consider addressing, in coordination with the Department of Personnel & Administration (DPA), regarding how progress towards the goal is reported and reviewed, the lack of state agency investment in contributing to progress, and the lack of an assessment as to whether the goal, as currently structured, is achievable.

Key Findings

- Statute lacks clarity on the responsibilities and roles of each entity that receives DPA’s annual progress report on SDVOSB contracting, and on what processes agencies should implement to help the State achieve the goal.
- The General Assembly, in coordination with DPA, may want to consider conducting further assessment of barriers to achieving the goal, including whether it is achievable as currently structured.
- DPA should ensure its annual reports on SDVOSB contracting for the State contain accurate data with applicable context, and are submitted on time to all required recipients; improve its training and guidance to state agencies, SDVOSBs, and other stakeholders on the goal and how the preference can be applied; and seek clarification on how to prioritize SDVOSBs among its statutory supplier diversity responsibilities.

Background

- The SDVOSB contracting goal was established in 2014 to recognize the service and sacrifice made by veterans with service-connected disabilities and to support veteran business owners.
- Over the 11 years the goal has been in place, the percentage of state contracts awarded to SDVOSBs has ranged from a low of 0.07 percent in Fiscal Years 2015 and 2017 to a high of 0.43 percent in Fiscal Years 2019 and 2022.
- All state agencies that are subject to the Procurement Code have discretion as to whether or not they contract with SDVOSBs to contribute to the State’s progress towards the goal.

Audit Recommendations Made	Agency Responses		
	Agree	Partially Agree	Disagree
4	4	0	0



Service-Disabled Veteran-Owned Small Business State Contracting Goal

Background

In 2014, the General Assembly enacted House Bill 14-1224, which established a goal in statute to award at least 3 percent of all state government contracts subject to the State Procurement Code, by dollar value, to veteran-owned businesses operating in Colorado that have been certified as a “service-disabled veteran-owned small business” (SDVOSB). The intent of this goal, as noted in the legislative history by the bill’s supporters, was to recognize the service and sacrifice made by veterans with service-connected disabilities and to support veteran business owners who may have fallen behind in developing their businesses compared to their counterparts, because they were not able to start or develop a business while serving their country. All state agencies subject to the Procurement Code, which includes requirements for agencies to follow when procuring goods and services, are responsible for helping the State meet the SDVOSB contracting goal [Section 24-103-905(4)(b), C.R.S.].

SDVOSBs Certified in Colorado

According to the U.S. Small Business Administration (SBA), as of April 2026, there were more than 34,000 certified SDVOSBs in the United States, with about 850 of them in Colorado, an increase from the roughly 400 certified SDVOSBs that were in Colorado when the goal was established by the General Assembly in 2014.

A veteran-owned business seeking government contracts under the SDVOSB status must work with multiple governmental agencies to receive its certification. Specifically, these businesses must:

- **File a claim for disability with the U.S. Department of Veterans Affairs (VA) to receive service-disabled veteran designation.** To be eligible for designation as a service-disabled veteran, the veteran must have an “other than dishonorable” discharge from the military and have an injury or disease that resulted in a disability linked to their military service [38 USC 101]. The VA’s claim process involves the veteran providing evidence related to their military service and medical history to the VA, and may require additional actions, such as medical exams, before a determination of disability can be made. As of February 2026, the average processing time for a claim, once submitted to the VA, was 77 days.
- **Establish a small business that meets SBA small business size standards.** To be considered a small business, a business must meet the small business size standards, which vary by industry and are established by the SBA in 13 CFR Part 121. Businesses may seek help from small business development centers, funded by federal and state governments, that provide

advising and training to small businesses, such as for developing businesses plans, funding, and marketing.

- **Register the business with the Colorado Secretary of State and other state agencies, as appropriate for the industry or profession, in order to meet state requirements.** The SDVOSB must be based in Colorado and the veteran must register their business with the Secretary of State, as well as any other state agencies, as needed. For example, a business may need to open a sales tax and withholding account with the Department of Revenue if it sells goods or services subject to sales tax and will have paid employees, or a business that provides transportation may need a license from the Public Utilities Commission.
- **Apply for and receive SDVOSB certification from the SBA.** Under federal regulations, a business must be “not less than 51 percent owned and controlled by one or more service-disabled veterans” in order to qualify as an SDVOSB, in addition to meeting the small business size standard, as noted above [13 CFR 128.200(b)]. The SBA defines control of an SDVOSB as the service-disabled veteran holding the highest officer position in the business, having “managerial experience of the extent and complexity needed to control” the business, and not holding outside employment that prevents them from dedicating time and attention to control the management and daily business operations [13 CFR 128.203(b) and (i)]. An SDVOSB must apply to the SBA for this certification, and provide evidence to support that it meets the qualifications noted above. SDVOSBs must recertify with the SBA every 3 years [13 CFR 128.306].

Exhibit 1.1

Elements of a Certified SDVOSB Eligible to Contract with State Agencies in Colorado



Source: Office of the State Auditor analysis of information from the U.S. Code and the Code of Federal Regulations, as well as websites for the U.S. Department of Veterans Affairs, U.S. Small Business Administration (SBA), and Colorado Secretary of State.

By obtaining designation as a certified service-disabled veteran-owned small business, these businesses are able to seek federal sole source contracts and set-asides that are specifically for SDVOSBs. Set-asides are contracts that can only be awarded to specific categories of small businesses. An SDVOSB must have 2 years of government contracting experience, such as with a local or state government, in order to be eligible to bid on federal government contracts, which is one reason why contracts with the State are important to SDVOSBs. The federal government has an annual goal that requires federal agencies to award “not less than 5 percent of the total value of all prime contract and subcontract awards” to SDVOSBs [15 U.S.C. 644(g)(1)(A)(ii)].

Seeking Contracts with the State

All executive branch agencies and the Governor’s Office are subject to the Procurement Code; agencies not subject to the Procurement Code include those in the judicial and legislative branches, as well as 4-year institutions of higher education. In addition, some agencies, such as all community colleges within the Colorado Community College System, have opted to follow the Procurement Code even though they are not required to do so. Statute collectively refers to these departments and institutions of higher education as “state agencies” [Section 24-103-905(1)(b), C.R.S.].

The State Procurement Code vests “all rights, powers, duties, and authority relating to the procurement of supplies, services, and construction” for state government with the Department of Personnel & Administration (DPA) [Section 24-102-301, C.R.S.]. Within the Procurement Code, a contract is defined as “any type of state agreement, regardless of what it may be called, between a governmental body and a contractor, where the principal purpose is to acquire supplies, services, or construction or to dispose of supplies for the direct benefit of a governmental body” [Section 24-101-301(9), C.R.S.]. Statute specifies a list of contract types that are exempt from the Procurement Code, such as grants; contracts between the State and local governments; professional services such as architecture, engineering, and land surveying, as defined in Section 24-30-1402, C.R.S.; utilities; and works of art for display, purchase, or performance [Section 24-101-105(1)(a), C.R.S.].

The Procurement Code allows the State’s Chief Procurement Officer, a statutory position within DPA’s Office of the State Controller, to delegate procurement responsibilities to each agency’s procurement official, who may sub-delegate purchasing authority to agency procurement staff at their discretion. As such, Colorado’s procurement system is decentralized, meaning that each department and institution of higher education has procurement staff who are responsible for soliciting bids for contracts and selecting vendors and awarding contracts, in accordance with the Procurement Code and State Fiscal Rules issued by the State Controller.

As a result of the decentralized procurement system, all businesses that seek a contract with the State must take steps to find opportunities with the individual agencies by researching agency business needs and registering as a vendor in the State’s authorized solicitation platforms, as described below.

Research state agency business needs. DPA recommends that businesses—including SDVOSBs—determine which state agencies are potential customers by researching the purchasing

needs of each agency on the DPA website and agency websites. For example, DPA recommends that businesses research what goods and services agencies have purchased in the past, review agency plans and budgets, and view what state price agreements are in place, since these can be used by all agencies for commonly purchased goods and services. Agencies are generally required to solicit bids from interested businesses for contracts over \$50,000; while purchases of up to \$50,000 do not require competition.

Register as a vendor with the State. Typically, businesses that bid on state contracts over \$50,000 do so via solicitation platforms that agencies use to solicit bids from vendors. Businesses must register on these solicitation platforms, which for most agencies is Vendor Self Service (VSS), the State’s official record of solicitations that is managed by DPA. To register on VSS, the business enters information about its industry or commodities, and can self-identify as an SDVOSB during the registration process. As of June 2025, there were more than 300,000 vendors registered in VSS and, of those, about 200 were SDVOSBs. While most agencies post solicitations to VSS, some agencies, such as the Department of Transportation, only post to BidNet Direct, and others post to both of these platforms. DPA also permits agencies to post solicitations on their websites.

Overall, DPA provides information to businesses seeking contracts with the State, including SDVOSBs, and to agency procurement staff about how the decentralized state procurement system works. For example, this information is provided on DPA’s website, through webinars and presentations at conferences, and by providing training to staff. DPA has also created a “Supplier Diversity Directory” that businesses, including SDVOSBs, can register with to receive information about State procurement and that DPA provides to agency staff as a resource.

Annual Progress Towards the SDVOSB Contracting Goal

State agencies that are subject to the Procurement Code have discretion as to whether or not they contract with SDVOSBs in order to contribute to the State’s goal. According to statute, state agencies also have the discretion to apply a preference to an SDVOSB when awarding contracts subject to the Procurement Code; statute does not specify what the preference should be or how it should be applied [Section 24-103-905(2), C.R.S.].

Section 24-103-905(4), C.R.S., charges DPA with reporting annually on “the state’s progress in satisfying the three percent goal” and requires DPA’s report to include the following data for the prior fiscal year:

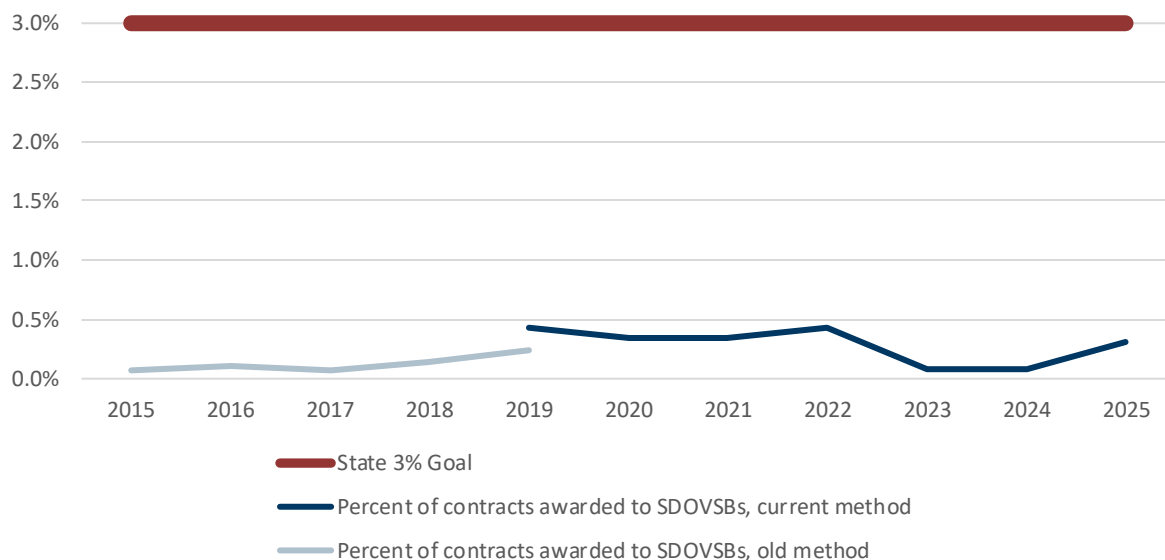
- The total **number of contracts** that the State as a whole, and each state agency subject to the Procurement Code, awarded to SDVOSBs;
- The total **dollar amount of contracts** that the State as a whole, and each state agency subject to the Procurement Code, awarded to SDVOSBs; and
- The **percentage of all state contracts**, by dollar amount, that the State as a whole, and each state agency subject to the Procurement Code awarded to SDVOSBs.

Since DPA began reporting on these statistics for each agency, starting with the Fiscal Year 2015 report, the percentage of contracts by dollar amount that DPA has reported as awarded to SDVOSBs has ranged between 0.07 percent in Fiscal Years 2015 and 2017, and 0.43 percent in Fiscal Years 2019 and 2022, as shown in Exhibit 1.2. Although the percentage has stayed relatively flat, the total dollar amounts reported as awarded to SDVOSBs has fluctuated from a low of \$1.97 million to a high of \$8.85 million, also in Fiscal Years 2015 and 2022, respectively. In Fiscal Year 2025, DPA reported that the State awarded \$6.97 million to SDVOSBs; in contrast, the State would have needed to award \$110.5 million to SDVOSBs to reach its 3 percent goal for Fiscal Year 2025.

Later in this report, our finding related to DPA outlines issues we identified with the accuracy of some of the data in DPA’s SDVOSB reports, specifically related to the audit review period of Fiscal Years 2023 through 2025, as well as limitations of the State’s accounting system, the Colorado Operations Resource Engine (CORE), for extracting contract data for DPA’s SDVOSB report.

Exhibit 1.2

Percentage of State Contracts, by Dollar Value, DPA Reported as Awarded to Service-Disabled Veteran-Owned Small Businesses (Fiscal Years 2015 through 2025)¹



Source: Department of Personnel & Administration annual SDVOSB Contracting Goal reports from Fiscal Years 2015 to 2025.

¹ DPA revised its methodology for compiling the report, effective with the Fiscal Year 2020 report, by no longer including interagency transfers in the total amounts, since SDVOSBs are not eligible for these transfers. DPA also recalculated the Fiscal Year 2019 figures with its revised methodology. This change resulted in an increase in the percentage of contracts awarded to SDVOSBs in Fiscal Year 2019 from 0.24 percent to 0.43 percent.

Appendix A provides information reported by DPA on the total number and dollar amount of contracts awarded compared to the total number and dollar amount of contracts awarded to SDVOSBs for each state agency subject to the Procurement Code for Fiscal Years 2023 to 2025.

DPA is required to submit its annual report on the State's progress towards the 3 percent SDVOSB contracting goal to the Department of Military and Veterans Affairs, members of the Colorado Board of Veterans Affairs, and members of the committees of reference with jurisdiction over state affairs and veterans affairs by September 30 of each year [Section 24-103-905(4), C.R.S.].

Audit Purpose, Scope, and Methodology

We conducted this performance audit pursuant to Section 2-3-108, C.R.S., which requires the State Auditor to conduct a special audit requested by a member of the General Assembly or the Governor, when approved by a majority vote of the Legislative Audit Committee. The Legislative Audit Committee approved this audit in response to a legislative request that expressed concerns regarding the State falling short of its 3 percent procurement goal for contracting with SDVOSBs and inquired what can be done to further the State's progress going forward. Audit work was performed from August 2025 through May 2026. We appreciate the cooperation and assistance provided by DPA's management and staff during this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit's key objectives were to assess the State's processes for measuring progress and reporting on its SDVOSB contracting goal, along with soliciting SDVOSBs for contracting. The audit also reviewed how businesses become certified as an SDVOSB in Colorado.

To accomplish our audit objectives, we performed the following audit work:

- Reviewed relevant federal laws and regulations, state laws and rules, and DPA policies and procedures related to SDVOSBs and procurement, and researched the legislative history of Colorado's SDVOSB contracting goal and procurement preference.
- Interviewed DPA management and staff to understand how they compile their annual SDVOSB report and how they communicate the SDVOSB contracting goal and preference to state agencies, SDVOSBs, and other stakeholders.
- Assessed DPA's methodology for compiling the annual SDVOSB report, the accuracy of its calculations, and completeness of the data used for the Fiscal Years 2023 through 2025 reports.
- Analyzed financial and vendor data from CORE for Fiscal Years 2023 through 2025.
- Reviewed documentation from DPA related to the annual SDVOSB report distribution to entities required to receive the report, and outreach to agency procurement staff and SDVOSBs related to the SDVOSB goal and state procurement.

- Spoke with and surveyed agency procurement officials to understand their perspectives and experiences, such as awareness of the SDVOSB contracting goal and procurement preference, and agency practices for using the preference. Specifically, we interviewed the procurement official for the Department of Military and Veterans Affairs; spoke with procurement officials from multiple state agencies during the November 2025 meeting of the Procurement Advisory Council, to which all state procurement officials belong; and received responses from 36 of the 40 procurement officials we surveyed, across state agencies.
- Interviewed and surveyed certified SDVOSBs located in Colorado to understand their perspectives of the SDVOSB goal and preference, and experiences contracting with state agencies. Specifically, we interviewed representatives from 6 SDVOSBs and received survey responses from 149 of the nearly 700 SDVOSBs that were located in Colorado and certified by the SBA as of November 2025.
- Interviewed stakeholders, including members of the General Assembly, the Executive Director of the Department of Military and Veterans Affairs, the Chair of the Colorado Board of Veterans Affairs, and representatives from veteran and procurement stakeholder organizations, including the United Veterans Coalition, Paralyzed Veterans of America, and APEX Accelerator.
- Reviewed the agendas of the House State, Civic, Military, and Veterans Affairs Committee and Senate State, Veterans, and Military Affairs Committee for January 2026 through May 2026, and the Department of Military and Veterans Affairs SMART Government Act presentations from 2024, 2025, and 2026.
- Analyzed SBA data on SDVOSBs in Colorado from August 2025, November 2025, and April 2026.
- Reviewed literature on SDVOSB goals and procurement practices used by the federal government and other states.
- Reviewed information from the VA, SBA, and Colorado Secretary of State websites related to the processes for filing veteran disability claims, applying for SDVOSB certification, and registering a business in Colorado.

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Details about the audit work supporting our policy considerations, finding, and conclusions, including any deficiencies in internal control that were significant to our audit objectives, are described in the remainder of this report.

A draft of this report was reviewed by DPA. Obtaining the views of responsible officials is an important part of the Office of the State Auditor's (OSA) commitment to ensuring that the report is accurate, complete, and objective. The OSA was solely responsible for determining whether and how to revise the report, if appropriate, based on DPA's comments. The written responses to the recommendations and the related implementation dates were the sole responsibility of DPA.

Policy Considerations for a Path to Progress Towards the State SDVOSB Contracting Goal

The State has not made progress towards its goal of awarding 3 percent of state government contracts to SDVOSBs since the reporting requirement began with the Fiscal Year 2015 report. The audit's purpose was to seek an understanding of why the State has continued to fall short of meeting the 3 percent goal, and identify what can be done going forward to further the State's progress.

During the audit, we conducted work to understand the history of the State's SDVOSB contracting goal by reviewing the legislative history of House Bill 14-1224, its fiscal note, and hearings surrounding the bill, as well as other legislation related to SDVOSBs introduced in subsequent years. We also collected information from all of the state entities involved in reaching the goal, including DPA; the departments and institutions of higher education subject to the State's Procurement Code; Department of Military and Veterans Affairs management; the chair of the Colorado Board of Veterans Affairs; Legislative Council staff; and the chairs of the House State, Civic, Military, and Veterans Affairs Committee and Senate State, Veterans, and Military Affairs Committee (House and Senate veterans affairs committees). To learn the perspectives of other stakeholders, we reached out to veteran and small business support organizations, including the United Veterans Coalition, Paralyzed Veterans of America, and Colorado APEX Accelerator (formerly known as Procurement Technical Assistance Centers), as well as to the nearly 700 SDVOSBs located in Colorado and certified by the SBA as of November 2025. We also assessed the information that DPA provides to SDVOSBs and agency procurement officials and staff regarding how the SDVOSB goal and preference could be incorporated into contracting processes developed by each state agency.

In Finding 1, we make recommendations to DPA that, if implemented, will improve the information that DPA compiles and reports regarding the State's progress towards the 3 percent SDVOSB contract goal. However, we also identified issues outside of DPA's purview that indicate that the State will likely continue to face challenges with progressing towards the goal. We outline these issues and provide three policy considerations for the General Assembly's consideration on the following pages.

What policy issues did the audit work identify?

Our work included assessing (1) how information on the State's progress towards the SDVOSB goal is being used, (2) how state agencies understand and view their roles in contributing to progress towards the goal, and (3) whether a goal set at 3 percent appears achievable. We found barriers in each of these areas that we describe further in this section.

Barrier #1: The information that DPA is required to report on progress towards the goal has not been used.

Section 24-103-905(4), C.R.S., requires DPA to annually report on the State's progress in satisfying the 3 percent SDVOSB goal to multiple entities—the Department of Military and Veterans Affairs, members of the Colorado Board of Veterans Affairs, and members of the House and Senate veterans affairs committees. Statute does not indicate what these entities should do with the information when they receive the reports from DPA, and we found indications that, to date, these entities are not using the reported information to help further progress toward the State's goal. We reviewed the legislative history of House Bill 14-1224, which indicated that the legislation's supporters intended for the annual report to be the accountability mechanism for meeting the SDVOSB goal, and that entities that receive the report would use it to assess progress—or lack of progress—towards the goal, assess the need for outreach efforts, and recommend changes, if needed. We contacted representatives of these entities and found that they have not interpreted statute in this manner, and rather, indicated limits to what the entities have done, and expect to do with the information. Specifically:

- The current Executive Director of the **Department of Military and Veterans Affairs** (DMVA) did not recall, and could not locate record of, the DMVA receiving the annual SDVOSB report in recent years, although DPA provided documentation to show that it had sent annual reports to the DMVA each year since Fiscal Year 2023. The Executive Director stated that, going forward, they would ensure that the DMVA remains informed of the State's progress toward the goal, and indicated they would use the information for internal long-term strategic planning and support of the veteran community. However, the Executive Director also indicated that the DMVA does not have further regulatory authority or oversight regarding the State's progress towards the goal and, thus, cannot use the report for more than internal planning. For example, **statute does not specify whether the DMVA should use the information to collaborate with other stakeholders on ways to progress towards the goal, or to make recommendations or otherwise comment externally on ways to improve progress.**
- The current Chair of the **Colorado Board of Veterans Affairs** (Board) stated that they received the report for the first time in November 2025, although DPA provided documentation to show that it had sent the Board the reports in 2023 and 2024, as well. The Chair shared the Fiscal Year 2025 SDVOSB report with Board staff and the other Board members, and the Board included it in its December 2025 annual report on the status of state programs providing services to veterans with a note that the progress towards the goal is “totally unsatisfactory”; however, the Board concluded, “[it] will take the attention of the Governor's Office and the State Legislature to improve on these goals.” Additionally, our review of the Board minutes from October 2023 to January 2026 shows that SDVOSB procurement was only ever brought up by members of the public a few times over the years, and does not appear to have ever been discussed by the Board in detail until its January 2026 meeting discussion about the audit team's questions regarding how the Board uses the information in the SDVOSB report. The January 2026 minutes state, “the Board has historically lacked the necessary information and verification data to report on

these metrics accurately.” The Chair told us that, overall, the Board is limited in its ability to do anything related to the SDVOSB goal beyond bringing the low performance to the attention of the Governor and General Assembly, and asking the Governor to encourage agencies to use the preference and to contract more with SDVOSBs. However, during the hearings to consider House Bill 14-1224, one of the bill sponsors stated that the Board was added as a report recipient, so it could “advocate and ensure that maximum procurement opportunities are granted to...small veteran businesses,” and supporters stated that they envisioned the Board working with veteran organizations like the United Veterans Coalition to educate veterans about the State’s goal.

Additionally, although the Chair stated that they are unable to do more than bring the low SDVOSB goal performance to the attention of the Governor and lawmakers, the Board’s statute requires it to “study periodically the problems of veterans and...propose such program or statutory changes as it may deem advisable or necessary” and to “report on the status of all programs providing services to the state’s veterans, including but not limited to any recommendations for changes to policies, procedures, or law” to the Governor and House and Senate veterans affairs committees [Section 28-5-703, C.R.S.]. In a 2022 Veterans Services audit conducted by the OSA, we included recommendations to the Board related to this statute in order to improve its governance over veterans services, including using the information from its annual report to identify recommended changes in policy, procedure, or law, and bringing recommended policy changes identified to the attention of the Division of Veterans Affairs within the DMVA and/or the General Assembly, as needed. The Board agreed with these recommendations, and reported them as implemented, but **it appears the Board could do more to help the State make progress towards the SDVOSB goal.**

- Legislative Council staff for the **House and Senate veterans affairs committees** also indicated that they did not receive reports in any years other than 2015, 2016, and 2025, although DPA provided documentation to show that it had sent the reports to the committee chairs in Fiscal Years 2023 through 2025. Legislative Council staff posted the Fiscal Year 2025 report to the General Assembly’s online report database after they received it, and indicated it would be emailed to members of the House and Senate veterans affairs committees in November 2025. We reviewed the agendas of those committee hearings since then and it appears that, as of May 2026, neither committee had discussed DPA’s 2025 SDVOSB report. Additionally, the Chair of the Senate veterans affairs committee stated in December 2025 that they did not recall any discussion of the SDVOSB goal or report during their tenure on the committee. Legislative Council staff noted, however, that the report may no longer be required, citing Section 24-1-136(11)(a)(I), C.R.S., which states that “whenever any report is required to be made to the general assembly by an executive agency...on a periodic basis, the requirement for such report shall expire on the day after the third anniversary of the date.” We discussed this perspective with DPA during the audit and **DPA stated that, going forward, it would no longer submit the report to the legislative committees, but rather would only continue to submit it to the DMVA and the Board.**

We also found only one instance when the State has used any of the 11 annual reports that DPA has issued from 2015 to 2025. Specifically, in 2016, House Bill 16-1134 proposed significant changes to the SDVOSB statute, such as requiring the State to achieve the goal, setting benchmarks towards the goal, expanding the goal to include subcontractors, and requiring the Secretary of State to establish a database of SDVOSBs that have applied for federal SDVOSB certification; however, the bill was postponed indefinitely for reasons that are unclear in the legislative history. The following year, in 2017, the General Assembly modernized the Procurement Code, which included moving the SDVOSB statute and modifying the requirements for reporting on the SDVOSB goal; however, debate on the bill did not include any discussion about the 3 percent goal.

Overall, because the SDVOSB contracting statute [Section 24-103-905, C.R.S.] does not specify how DPA’s SDVOSB annual report should be used by the entities required to receive it, and the legislative intent is not apparent to those entities, the purpose of the annual SDVOSB report is currently unclear. For example, it is not clear whether the legislative committees should still receive the report, or use it to evaluate the State’s progress towards the goal; or whether the Board has a responsibility to make recommendations related to the report or advise DPA on the goal. Without clarification from the General Assembly, the State does not have an accountability mechanism to prompt any regular review of its progress towards the goal nor a requirement for soliciting recommendations or identifying actions needed to improve progress towards the goal. Further, veterans we spoke with who represent SDVOSB stakeholder organizations told us that the lack of accountability for making progress towards the goal is frustrating to veterans because the SDVOSB goal is one “without any enforcement,” noting that in their perspective, “veterans historically have had a lot of...promises made, not kept by the State.”

Policy Consideration #1

If the General Assembly intends that annual progress on the service-disabled veteran-owned small business (SDVOSB) contracting goal should be reviewed and assessed, clarification in statute is needed. Specifically, the General Assembly should consider statutory changes to clarify the specific responsibilities and roles of each of the entities that are required by Section 24-103-905, C.R.S., to receive the SDVOSB report—the Department of Military and Veterans Affairs; members of the Colorado Board of Veterans Affairs; and members of the House State, Civic, Military, and Veterans Affairs Committee and Senate State, Veterans, and Military Affairs Committee. This should include (1) clarifying the purpose of the report and the role and responsibilities for each entity related to the SDVOSB goal and report, and (2) assigning responsibility for considering and recommending what changes, if any, should be made to increase progress towards the goal. The General Assembly should also consider whether there are any other oversight roles needed, and whether DPA should continue to submit the annual SDVOSB report to the House and Senate committees with jurisdiction over veterans affairs.

Barrier #2: State agencies do not invest in contributing to progress towards the statewide goal.

Under the State's decentralized procurement system, procurement staff at each state agency and the relevant institutions of higher education, make procurement decisions within the parameters of the Procurement Code and State Fiscal Rules, and have discretion in whether and how they award contracts to, or provide preference to, the SDVOSBs that submit bids. We surveyed procurement officials at the 40 state agencies (agencies) that are subject to the Procurement Code to understand their perspectives and practices on the contracting goal and for using the SDVOSB preference. We received responses from 36 of the 40 agencies. Based on the responses, we found indications that many agencies do not invest in contributing to progress towards the goal. Specifically:

Many agencies reported not being aware of whether SDVOSBs respond to contract solicitations. Of the 36 agencies that responded to our survey, 13 (36 percent) did not know how often SDVOSBs responded to their agencies' solicitations between Fiscal Years 2023 and 2025. These 13 agencies include 4 departments that each awarded contracts totaling more than \$33 million in Fiscal Year 2025—Department of Corrections, Department of Human Services, Department of Natural Resources, and Department of Transportation. Additionally, the Governor's Office awarded \$84.8 million in contracts in Fiscal Year 2025, but procurement officials at both the Governor's Office of Information and Technology and the Governor's Office of Economic Development and International Trade, whose contracts are included in that amount, indicated in the survey that they were not aware of how often SDVOSBs responded to their solicitations.

Most agencies were not aware of whether they had or had not provided a preference to SDVOSBs. We asked the procurement officials whether their agencies provided a procurement preference to SDVOSBs between Fiscal Years 2023 and 2025, and the 36 agencies responded as follows:

- 12 (33 percent) said their agency **did not** provide a preference to SDVOSBs.
- 11 (31 percent) said their agencies **did** provide a preference to SDVOSBs.
- 9 (25 percent) stated that their agency **does not retain information** about whether a procurement preference was or was not provided to SDVOSBs.
- 4 (11 percent) **were not aware of the procurement preference** prior to the survey.

The 11 agencies that provided a preference described different applications of the preference, with some indicating that they provided a 5 percent preference on the bid price or points to the evaluation score, while others listed SDVOSB as a preferred requirement or used the SDVOSB status as a tie breaker. One procurement official noted that their agency provided a preference, but could not elaborate on how the preference was applied because they would have to manually search their procurement files to find those details.

The agencies that did not provide a preference between Fiscal Years 2023 and 2025 cited reasons such as that they do not have a process in place to consider a preference, or that few or no SDVOSBs submit bids for projects. The DMVA procurement official noted that they do not have a lot of large projects and typically receive a lot of bids from SDVOSBs and other veteran-owned businesses, so it does not make sense to use the SDVOSB preference.

Additionally, 3 of the 36 procurement officials indicated that they have concerns about providing a preference to an SDVOSB or simply do not use any preference due to budget constraints and a need to go with the lowest bidder. For example, providing a preference is perceived as paying more to the SDVOSB, while State Fiscal Rule 2-1 requires them to procure goods and services at “fair and reasonable” prices. One procurement official wrote in the survey that “Awarding a contract just to meet a goal may not be the most advantageous to the state. We encourage everyone to respond to our solicitations, without preferences.”

Overall, the responses we received from most procurement officials indicated that their agencies want to support the State’s SDVOSB goal, but in order to do so they need more information and tools. For example, 4 procurement officials expressed a desire for training to help them understand how their agencies can contract with more SDVOSBs while still meeting the specific and diverse missions and needs of their agencies. One procurement official who is a veteran and whose agency does not have a process in place to provide a preference or document when SDVOSBs respond to solicitations, stated that they would like to receive training and information on how to implement a process to support the SDVOSB goal. Another 8 procurement officials suggested that the State develop an easily accessible database of SDVOSBs in Colorado, while one procurement official asked for “clearer statewide tools and guidance” to help them navigate finding SDVOSBs in their industries while still meeting the state and federal requirements to which their programs are subject.

DPA indicated that it provides, on an ongoing basis, the training, information, and tools described by the agency procurement staff—including the Supplier Diversity Directory that serves as a database staff can use to identify SDVOSBs, and other businesses, such as historically underutilized businesses and others considered diverse. However, based on the responses of some procurement officials, additional training and information specifically related to SDVOSBs may still be needed.

DPA also indicated there are challenges in its authority to provide further information or tools to agencies about the goal because it is up to each agency and procurement staff to decide whether to contract with an SDVOSB. DPA noted that it can provide information to agencies to inform them that the goal exists, and that agencies “may grant a preference” for SDVOSBs to satisfy the goal [Section 24-103-905(2), C.R.S.], but their ability to instruct agencies any further to contract with SDVOSBs is restricted. Statute does not establish the SDVOSB contracting goal as a priority for DPA, as we discuss later in the finding. The only requirement of DPA included in House Bill 14-1224 was that DPA report annually on the State’s progress towards the goal; outreach to agency procurement staff and SDVOSBs was something that DPA began doing on its own. However, the fiscal note for House Bill 14-1224, which established the SDVOSB goal, indicates the General Assembly’s intent that DPA would provide such instruction to agencies. Specifically, the fiscal note

stated that “DPA will be required to promulgate rules or issue technical guidance regarding how to apply the requirements of House Bill 14-1224” and “assumes that agencies will follow the rules or technical guidance provided by the DPA...”.

Feedback from SDVOSBs

We also surveyed SDVOSBs located in Colorado to understand their awareness of Colorado’s SDVOSB contracting goal and their experiences bidding on state contracts. To obtain this population of SDVOSBs, we downloaded the list of all certified SDVOSBs located in Colorado from the SBA’s website as of November 17, 2025, and emailed the survey to the 681 SDVOSBs that had unique email addresses. Of the 681 SDVOSBs emailed, the survey reached 622 SDVOSBs—the remaining 59 had email addresses that were not valid or were otherwise undeliverable. We received responses from 149 of the 622 SDVOSBs (24 percent) and the majority of the respondents—62 percent—reported that they were not aware of Colorado’s SDVOSB contracting goal.

Additionally, the variances in how state agencies use, or do not use, the SDVOSB procurement preference has created confusion and frustration for those SDVOSBs that have sought contracts with the State. Of the 149 SDVOSBs that responded to our survey, 35 indicated that they have sought contracts with the State and rated their experience with the process as follows:

- 14 (40 percent) indicated that the State’s contracting process was difficult.
- 12 (34 percent) were neutral, indicating that the process was neither difficult nor easy.
- 9 (26 percent) indicated that the process was easy.

The 26 businesses that rated the process as difficult or neutral explained that they found the State’s procurement process to be very time-consuming, that the information in solicitations was unclear in terms of the qualifications or credentials requested, that agency staff were unresponsive to questions or never provided feedback on a bid, and the use of multiple solicitation platforms by agencies complicates the bidding process. Some also commented that the SDVOSB status does not matter to state agencies, contracts go to the lowest bidder, or they feel they must have an “in” to obtain a contract with the State. Others conveyed confusion because a preference was not applied to the solicitation or the contract was awarded to the lowest bidder, regardless of their SDVOSB status.

DPA reported that it has reached out to SDVOSBs via email or veteran small business events, and discussed the SDVOSB goal at meetings with procurement officials and staff. However, DPA told us that it interprets its statutory responsibility towards the goal as only requiring a report that includes specific data points reported at both the statewide and agency level [Section 24-103-905(4), C.R.S.], and that any other work it does related to the SDVOSB goal and report, such as talking to agency procurement staff and emailing SDVOSBs to inform them of the goal, is going beyond what is required of them in the SDVOSB statute [Section 24-103-905, C.R.S.].

Although DPA’s perspective is that its authority and responsibilities related to the SDVOSB goal are limited, House Bill 14-1224’s fiscal note indicated that DPA would promulgate rules or issue

technical guidance on how agencies can implement a preference for SDVOSBs. However, DPA has not published written guidance since the General Assembly codified the SDVOSB goal in 2014 to clarify what the procurement preference is and how to apply it to contracts, with the exception of providing agencies with solicitation templates for documented quotes and invitations for bids that include language about the 3 percent goal and stating that agencies may offer a preference on the bid price to SDVOSBs in an amount of the agency's choosing. Further, as discussed in the finding, since 2024, when DPA moved the SDVOSB reporting responsibility from its contract staff to its Statewide Equity Office, DPA has focused more on diversity in procurement among historically underutilized businesses, in general, and has placed less emphasis on SDVOSBs specifically.

House Bill 14-1224 originally included language explicitly authorizing a preference by evaluation or through set-asides, which are contracts that can only be awarded to specific categories of small businesses. In our review of the SDVOSB legislation history, one of the bill sponsors testified that, at DPA's request, he revised the bill to generally authorize a preference, but not provide specific direction on how the preferences should be applied in order to provide DPA with "maximum flexibility for how they achieve the goal." **If the General Assembly determines that DPA should play a larger role related to the SDVOSB contracting goal and that it should establish rules or written guidance for agencies, then the General Assembly's expectations of DPA should be clarified.** Without clarification, there is not sufficient guidance for state agencies regarding how to use and to encourage the use of the SDVOSB preference to make progress towards the SDVOSB contracting goal. When state agencies do not apply the preference or contract with SDVOSBs, SDVOSBs are discouraged from seeking state contracts. One SDVOSB we spoke with told us that it takes a lot of time and resources to bid on state projects, and many SDVOSBs they know of stopped bidding on state projects because they were never awarded contracts and it did not make sense to continue submitting bids.

Policy Consideration #2

If the General Assembly intends that the Department of Personnel & Administration (DPA) and the individual state agencies and institutions of higher education included in the service-disabled veteran-owned small business (SDVOSB) contracting goal should implement processes to achieve the goal, clarification in statute is needed. Specifically, the General Assembly should consider statutory changes to clarify each entity's roles and responsibilities, and how they can be held accountable for considering the SDVOSB goal. This could include (1) clarifying responsibilities for DPA and each state agency and institution of higher education for monitoring progress towards the SDVOSB goal and use of the procurement preference; (2) assigning responsibility for periodic evaluation of progress towards the goal and analysis of barriers; (3) assigning responsibility for the implementation and monitoring of a plan to address barriers to achieving the SDVOSB contracting goal; (4) clarifying its expectations for DPA to implement a procurement preference for SDVOSBs in rule or technical guidance, while abiding by State Fiscal Rules to obtain goods and services at a fair and reasonable price; and (5) clarifying how DPA should prioritize SDVOSBs among the historically underutilized businesses that statute requires the Procurement Equity Program to prioritize.

Barrier #3: No assessment has been done to determine whether a 3 percent SDVOSB contracting goal for Colorado is achievable.

Since the reporting on the SDVOSB contracting goal began 11 years ago, the State has remained well short of the 3 percent goal and this lack of progress raises the question as to whether the goal is achievable. Specifically, our audit found that state agencies question whether Colorado can do any better than 0.43 percent, the Fiscal Year 2019 and 2022 SDVOSB contract percentages, which is the closest that the State has been to the goal since DPA began tracking SDVOSB data in Fiscal Year 2015. Specifically, we found:

- **The goal is perceived as unrealistic.** Staff from DPA and some other state agencies told us that they believe the 3 percent SDVOSB goal appears to be unrealistic given the State's lack of progress in reaching the goal. They also indicated that even when a goal is unachievable, there is a perception that the State is failing when it does not reach the goal. They noted that the SDVOSB goal is "just a goal"—it is not a requirement that can be enforced—and it is not supported by data to indicate the goal is achievable.
- **SDVOSBs are perceived, by some, as not being in the right industries for State needs.** Staff from DPA and some other state agencies told us that a primary reason they see for the State not progressing towards the goal is that SDVOSBs rarely bid on projects, which they believe is because there are not enough SDVOSBs in Colorado in the industries that align with the purchasing needs of state agencies. There is a perception that SDVOSBs are often in the military and defense sectors, mostly bid on federal contracts, and that by the nature of being small businesses, some SDVOSBs are not able to manage the contracting needs of state agencies, especially those for amounts over \$50,000 requiring competitive bidding and to which the SDVOSB procurement preference may be applied. One procurement official recalled that an SDVOSB went out of business because it won a bid solicitation, but was unable to manage the demands of a state contract.
- **The goal is perceived to be in conflict with other mandates requiring agencies to obtain the best price.** Some agency staff stated that providing a preference in price to an SDVOSB—and thereby paying more—conflicts with the State Fiscal Rule 2-1 requirement to purchase goods and services at a "fair and reasonable" price. They felt that providing a price preference and paying more to an SDVOSB would compromise that duty, especially when their budgets are limited. One procurement official noted that they do not want to show a preference to anyone and that, rather, they base decisions on the best value to the State.

Some of the views and experiences that SDVOSBs and veteran stakeholder groups shared with us during interviews and in survey responses described, from their perspectives, these sentiments from state entities. One SDVOSB told us that when they inquired with a state agency about applying the preference to the solicitation, agency staff told them that the SDVOSB contracting goal is not a requirement and they are not obligated to consider SDVOSB status during the selection process. Multiple SDVOSBs told us that for many years they submitted bids to state agencies in response to solicitations and eventually ceased doing so after not being awarded the contracts because it was not

worth the time and money invested in the bidding process. We also heard from veterans who felt the State has become apathetic towards the SDVOSB goal, saying that, in their experience Colorado is not a military or veteran friendly state and “the 3% goal exists on paper, it has not felt real in practice.”

Assessment of Goal

According to our review of House Bill 14-1224, its fiscal note, and audio recordings of the legislative proceedings related to the bill, the goal was set at 3 percent based on the federal government’s goal at the time, similar goals set by other states around the country, and the sentiment that 3 percent was generally considered a minimum government procurement goal. However, no analysis was conducted at that time to determine whether the goal, as established, appeared to be achievable for Colorado, such as to identify the number of SDVOSBs in Colorado and their industries, as compared to the State’s procurement trends and history.

When House Bill 14-1224 was discussed in committee, the sponsor commented that if the State did not make meaningful progress towards the goal a few years after its implementation, then it would become a question of whether not achieving the goal was due to insufficient State efforts to inform SDVOSBs of the goal and procurement opportunities, not enough SDVOSBs in the industries the State needs, not enough SDVOSBs bidding on contracts, or something else. However, there are no indications that such analyses, or considerations of alternate approaches, were ever done, and the one bill introduced to help the State progress towards the goal—House Bill 16-1134—was postponed indefinitely.

We reviewed data on SDVOSBs in Colorado to conduct our own limited analyses of the feasibility of Colorado meeting the 3 percent SDVOSB goal and found that, with the current structure of the goal, it is not likely that the State will be able to meet it.

The number of certified SDVOSBs in Colorado has increased since the General Assembly codified the goal in 2014. Specifically, when House Bill 14-1224 was enacted, there appeared to have been about 400 certified SDVOSBs operating in Colorado. As of April 2026, there were about 850 certified SDVOSBs in Colorado. Several of the SDVOSBs that responded to our survey indicated that they are interested in seeking state contracts, with many stating that they do want the opportunity to serve the state they live in.

We conducted a limited assessment to understand roughly how many SDVOSB contracts the State may have needed in Fiscal Year 2025 in order to reach the 3 percent goal, using DPA’s procedures for calculating the annual total contract amounts and omitting the computation errors that we discuss in our finding. In Fiscal Year 2025, the dollar amount of the 3 percent SDVOSB goal for the State was \$110.5 million, and there were about 700 SDVOSBs in Colorado as of November 2025. We estimated that in order to reach the 3 percent goal, if spread across all of the approximately 700 SDVOSBs in Colorado as of November 2025, each of the SDVOSBs would have had to have received a state contract of \$158,000 or more. And, if only spread across the 200 SDVOSBs registered in VSS (the State’s official record of solicitations) in July 2025, each would have had to

have received a contract of \$552,000 or more. The average dollar amount of all contracts awarded by agencies in Fiscal Year 2025 was about \$221,000, and the average dollar amount of contracts awarded to SDVOSBs was \$274,000.

We also conducted an analysis to compare the industries that the SDVOSBs are in, against the goods and services that state agencies purchased in Fiscal Years 2023 through 2025. We conducted the comparison by matching the commodity codes that State procurement staff use in CORE to identify and categorize purchases, to industry codes that SDVOSBs identify during their certification with the SBA. As shown in Exhibit 1.3, we found that about 500 SDVOSBs located in Colorado appear to be in the 10 industries that account for more than 75 percent of the State's contracts. Further data analyses could help the State more effectively reach SDVOSBs in these industries or be used to provide other opportunities to purchase more goods and services from SDVOSBs in order to make progress towards the SDVOSB goal.

Exhibit 1.3

Industries the State Purchases from the Most¹

Industry (Commodity Code Name)	Count of Contracts in CORE	Dollar Amount of Contracts in CORE	Percent of Total Dollar Amount of Contracts	Number of SDVOSBs with Matched Commodity Code
Data processing, computer, programming, and software service	4,592	\$893,095,323	25.1%	176
Miscellaneous services, no. 2 (not otherwise classified) ²	4,812	\$763,350,028	21.4%	229
Consulting Services	1,397	\$240,557,848	6.8%	305
Miscellaneous services, no. 1 (not otherwise classified) ³	1,691	\$190,077,002	5.3%	181
Construction services, general	1,159	\$187,457,351	5.3%	27
Communications and media related services	559	\$160,511,682	4.5%	49
Building construction services, new	352	\$141,180,870	4.0%	91
Human services	548	\$121,465,756	3.4%	69
Computer software for microcomputers (preprogrammed)	872	\$57,376,441	1.6%	1
Chemical laboratory equipment and supplies	511	\$54,567,082	1.5%	4
Total	16,493	\$2,809,639,382	78.9%	494⁴

Source: Office of the State Auditor analysis of financial data from the State's accounting system (Colorado Operations Resource Engine, or CORE) for Fiscal Years 2023 through 2025, and U.S. Small Business Administration data on verified service-disabled, veteran-owned small businesses located in Colorado.

¹ This analysis does not include contracts awarded by the Department of Transportation and community colleges because the details of their contract awards are not recorded in CORE.

² Includes a wide variety of services such as ballistic testing, blue printing, cleaning, document shredding, cartography and survey mapping, moving services, and restoration and reclamation services for land.

³ Includes a wide variety of services such as economic impact studies, environmental impact studies, fugitive escort services, hydrological services, laboratory and field-testing services, marketing, satellite global information positioning system services, water and petroleum pipeline services, and zoning and land use studies.

⁴ The total number of businesses does not equal the sum of each row because businesses can be in multiple industries.

More detailed work would be needed, potentially by a consultant that specializes in procurement, and using accurate dollar figures (as discussed in the finding) to determine whether the 3 percent SDVOSB contracting goal is realistic, as it is currently set in statute.

Ways the State Could Potentially Increase its Contracting with SDVOSBs

In addition to assessing the feasibility of the SDVOSB contracting goal, we identified the following areas for consideration that may present additional ways the State could potentially increase its contracting with SDVOSBs.

- **Establish more opportunities for small businesses.** Statute provides that the SDVOSB contracting goal and preference is for contracts subject to the Procurement Code, which DPA has specified are competitive contracts worth \$50,000 or more. We heard from DPA, some agency procurement officials, and SDVOSBs that because SDVOSBs are small businesses, they are not always able to take on contracts worth \$50,000 or more. This limits agencies' ability to provide a preference to SDVOSBs and, as some SDVOSBs told us, inhibits some SDVOSBs from pursuing work with the State. Some SDVOSBs and procurement officials suggested that the State establish a set-aside for SDVOSBs, meaning that state agency procurement staff would be allowed to purchase certain goods and services directly from a pre-approved list of verified SDVOSBs. For example, the SDVOSBs that responded to our survey included a photographer and a caterer, businesses whose services would come in below \$50,000, but could still be of value to the State.
- **Evaluate other SDVOSB practices.** The State could consider the practices of the federal government and other state governments with SDVOSB goals for ideas on how to address barriers to contracting with SDVOSBs. For example, the federal government, which currently has and exceeds a 5 percent SDVOSB contracting goal, allows sole-source awards to SDVOSBs and has a set-aside program for SDVOSBs in certain industries that procurement staff can use in lieu of issuing solicitations and going through a time-consuming competitive bidding process. Other states, such as New York, have authorized the use of set-asides to help reach their SDVOSB goal, as well as encourage agencies to use SDVOSBs for discretionary purchases. As another example, Minnesota allows sole-source contracting to SDVOSBs for contracts up to \$100,000.

When the State cannot demonstrate that its current SDVOSB contracting goal is realistic, and that it identifies and works to address barriers to reaching the goal, it creates the perception that supporting disabled veterans is not a priority for the State. To help address this perception, further action is needed to assess whether the goal is realistic, and to assess and address any additional barriers and perceived barriers to the goal.

Policy Consideration #3

If the General Assembly intends that the State should be perceived as invested in the service-disabled veteran-owned small business (SDVOSB) contracting goal, clarification in statute is needed. Specifically, the General Assembly should consider statutory changes to assign the Department of Personnel & Administration the specific responsibility of coordinating with other departments and entities, such as veteran advocacy organizations, to conduct an analysis to assess barriers to achieving the SDVOSB goal, including whether SDVOSBs in Colorado align with state procurement needs and how to provide a preference or another procurement method that benefits Colorado SDVOSBs, while still ensuring that agencies obtain the most fair and reasonable price when procuring goods and services. Such an analysis may require a fiscal note, and could also include evaluating how the State can encourage agencies to utilize SDVOSBs for discretionary purchases under \$50,000, and result in recommendations to the General Assembly and state agencies regarding changes to statute, rules, and/or policy.

Finding 1 – Annual SDVOSB Reporting and Other Information Sharing by DPA

DPA has compiled and distributed the SDVOSB report annually since the reporting requirement began with the Fiscal Year 2015 report. From Fiscal Year 2015 to May 2024, DPA’s State Purchasing and Contracts Office, which is part of the Office of the State Controller (OSC), was responsible for preparing and issuing the SDVOSB annual report. In May 2024, DPA moved this responsibility to the Statewide Supplier Diversity Program within its Statewide Equity Office, which is part of its Division of Human Resources.

DPA uses written procedures to extract and compile data from the Colorado Operations Resource Engine (CORE), the State’s accounting system, for the SDVOSB report each year. Because CORE does not record data on the State’s annual contracts and amounts awarded in a manner that can be directly aggregated for the SDVOSB report, DPA applies various filtering methods to use CORE expenditure coding, vendor coding, and data on encumbered funds to identify total contracts and award amounts. For example, DPA uses CORE expenditure coding to exclude transactions from its calculations that are not made under contracts, such as interest payments and employee insurance claims, and to exclude transactions that are statutorily exempted from the Procurement Code [Section 24-101-105(1), C.R.S.], such as for grants, dues and memberships, and contracts with other governments. DPA also identifies the amount of funds encumbered, or designated, for a contract in the fiscal year that the contract was awarded. DPA uses the federal government’s list of certified SDVOSBs in Colorado to match to business names and the associated vendor identifiers in CORE. For the agencies in the SDVOSB annual report that do not use CORE, such as the Department of Transportation and institutions of higher education, DPA receives self-reported data from their procurement staff.

DPA has also maintained information about the SDVOSB contracting goal on its website, and provided information about the goal to agency procurement staff, SDVOSB businesses, and other stakeholders. For example, DPA staff have attended annual veteran business conferences, sent informational emails to SDVOSBs, and provided presentations to agency procurement staff that have included information about the goal.

What was the purpose of our audit work and what work was performed?

The purpose of our audit work was to evaluate the processes that DPA has used to report on “the State’s progress in satisfying the three percent goal” as required by statute [Section 24-103-905(4), C.R.S.], and to assess the information DPA has provided regarding how the goal is incorporated into the State’s contracting processes to SDVOSB businesses, veteran groups, and state agency procurement staff. We interviewed DPA staff responsible for these tasks and reviewed related documentation, including DPA’s written methodology for compiling the annual report, examples of

presentations given to state agency staff, and emails sent to businesses. We analyzed the accuracy of the data in the annual SDVOSB reports for Fiscal Years 2023 through 2025. We also obtained the views of stakeholders, including SDVOSBs, agency procurement staff, staff from the DMVA, representatives for the Colorado Board of Veterans Affairs (Board), and some members of the General Assembly serving on the House and Senate veterans affairs committees.

How were the results of the audit work measured?

The following requirements apply to the annual SDVOSB report:

- **The report must be submitted to the required parties by September 30 each year.** Statute requires DPA to submit the SDVOSB report to DMVA, members of the Board, and members of the House and Senate veterans affairs committees by September 30 each year [Section 24-103-905(4), C.R.S.].
- **The report must include the statistics specified in statute, and they should be accurate.** Statute requires DPA's report to include the total number and dollar value (statewide) of all awarded contracts subject to the Procurement Code; and the total number and dollar amount of contracts, statewide, awarded to SDVOSBs, as well as the percentage these contracts represented of all state contracts. The report is also required to include these same statistics for each state agency, which includes individual departments and institutions of higher education [Section 24-103-905(4), C.R.S.]. The Standards for Internal Control in the Federal Government (Green Book), which DPA and all departments are required by State Controller Policy to follow, specifies that agencies should use, and externally communicate, quality information that is accurate [Principles 13 and 15]. Specifically, the Green Book, Principles 13.01 and 13.05, require DPA to generate relevant, quality information that is complete and accurate and use it to support its internal control system, and Principle 15.03 requires management of an entity to communicate relevant and quality information externally so that appropriate external parties can help the entity achieve its objectives, address related risks, and support its internal control system.

Additionally, DPA's written procedure for compiling the annual SDVOSB report specifies that the report should explain the data being compiled and reported, and include "steps the State has taken to meet the goal." The report is described in statute as a report that is "regarding the state's progress" in satisfying the goal, and thus, we would expect that in order to communicate quality information to external stakeholders, the report would include the datapoints specified in statute and provide context for what the data indicates regarding progress, or lack of progress, towards the goal. For example, we would expect the report to note whether certain contracts may be having a more significant impact on the State's reported progress towards the goal, or whether changes to the State's economic landscape may be affecting how state agencies approach procurement. Also, the written procedures that DPA uses to extract the data from CORE are extensive, in part because CORE does not identify which contracts are subject to the Procurement Code or are contracts with

SDVOSBs. As such, we would expect the annual report to include quality information to help users of the report understand DPA's methodology and limitations for compiling the data required by statute.

In general, the Procurement Code vests DPA with the powers and duties relating to state purchasing and procurement [Sections 24-102-201(2) and 24-102-301, C.R.S.]. While DPA has largely delegated procurement authority to state agencies, DPA provides training, monitoring, guidance, support, and assistance to the delegated agencies, and is the State's repository for contracting requirements and expertise. DPA is also the State's point of contact for information about the SDVOSB goal, statutory procurement requirements, and overall navigation of how the State's contracting processes work.

What problems did the audit work identify?

Overall, we identified the following deficiencies in DPA's reporting and information provided regarding the SDVOSB contracting goal.

The report was not always submitted on time or to all required persons. We reviewed documentation from DPA and found that while DPA sent the Fiscal Year 2023 report on time, the reports for Fiscal Years 2024 and 2025 were sent 51 and 24 days after the September 30 deadline in statute, respectively. We also found that for the 3 years we reviewed, DPA's practice has been to send an email with the report to the executive director of DMVA, the chair of the Board, and the chairs of the House and Senate veterans affairs committees. DPA has not sent the report to all other members of the Board nor other members of the committees, as statute specifies, nor did DPA send the report each year to staff that are able to distribute the report to all members, such as Legislative Council staff or Division of Veterans Affairs staff. The emails DPA sent distributing the reports also do not state that the report should be shared with the members of their respective bodies that are required to receive it. Our Policy Consideration #1 describes report receipt issues that representatives for the Board and the House and Senate veterans affairs committees communicated to us.

The report data has included inaccuracies and purchases that are not subject to the Procurement Code. The annual reports we reviewed for Fiscal Years 2023 through 2025 included all of the datapoints that statute requires DPA to report. However, we found that DPA reported some inaccurate data, and DPA's written procedures for filtering and extracting CORE data did not remove a significant number of purchases that should have been excluded from its calculations. Specifically, we recalculated total contracts and award amounts for Fiscal Years 2023 through 2025 by filtering the same CORE data that DPA used to prepare its reports to remove all identifiable expenditures that are not subject to the Procurement Code and, thus, should not be included in the SDVOSB report. For example, expenditures for grants, utilities, bridge and highway construction, and contracts awarded by the Colorado State Fair Authority are not subject to the Procurement Code. We also recalculated SDVOSB contracts and award amounts based on each year's vendor data. While the impact on the overall SDVOSB contract percentages that were reported was relatively small (differences of tenths of one percent each year) due to the large dollar amounts

included in the calculations, we did identify significant inaccuracies in some of the data. Specifically, we found that:

- The Fiscal Year 2023 report overreported the total number of state contracts by 1,365 contracts and overreported the dollar amount of state contracts by \$590 million because DPA's procedures for extracting CORE data directs staff to use a list of object codes that includes a significant number of purchases that are not subject to the Procurement Code. For example, DPA included about \$380 million in purchases that were coded to medical services in its calculations, but medical services are not subject to the Procurement Code so they should have been excluded. DPA's reporting procedures also do not exclude the contracts that are not subject to the Procurement Code and that cannot be addressed with object codes alone, such as contracts awarded by the Colorado State Fair Authority.
- The Fiscal Year 2024 report overreported the total number of state contracts by 3,143 contracts and overreported the dollar amount of state contracts by \$2.1 billion, primarily because DPA did not filter the data it extracted from CORE to exclude purchases not subject to the Procurement Code in the report. DPA also inaccurately calculated SDVOSB contracts and awards; specifically, DPA omitted 4 SDVOSB contracts worth \$41,000 that should have been included in the report, and included 3 SDVOSB contracts worth \$207,000 that should not have been included because they were purchases for architectural services, grants, and registration fees, which are not subject to the Procurement Code. The report also inaccurately stated that the Department of Law awarded one contract worth \$55,845, when it awarded 175 contracts worth about \$5.8 million. None of the Department of Law contracts went to SDVOSBs.
- The Fiscal Year 2025 report overreported the total number of state contracts by 1,849 contracts, largely due to DPA not filtering the data it extracted from CORE to exclude purchases not subject to the Procurement Code in the report. DPA also underreported the total dollar amount of state contracts by \$908 million, mostly due to computation errors. In addition, the report inaccurately reported that 34 contracts worth \$7.0 million were awarded to SDVOSBs, although 38 contracts worth \$7.3 million were actually awarded to SDVOSBs that year. We also found that the report inaccurately stated that the Department of Natural Resources awarded 10 contracts to SDVOSBs, but only 1 contract in total to all businesses, when it actually awarded a total of 1,329 contracts to all businesses, with 8 of them being SDVOSBs. Further, the report inaccurately stated that the Department of Health Care Policy and Financing and the Department of Law awarded 325 and 213 total contracts, respectively, with the total dollar amount of these contracts being \$0. The Department of Health Care Policy and Financing actually awarded 257 contracts totaling \$336 million, and the Department of Law awarded 197 contracts totaling \$7.7 million. Neither agency awarded any contracts to SDVOSBs.

Some inaccuracies were due, in part, to computation mistakes that DPA agreed were errors on its part. For example, in Fiscal Year 2024, staff inadvertently included, rather than excluded, expenditure codes that DPA's procedures cited should be used to filter contracts out of the data. Staff also did not identify errors in the tables they created for filtering the data.

Reports in Fiscal Years 2024 and 2025 did not include any information to explain the data being reported or otherwise provide context for what the data indicated regarding progress, or lack of progress, towards the goal. This information was regularly provided in prior year reports. For example, all of the reports for Fiscal Years 2015 through 2023 explained the requirements to be a business whose contracts count towards the goal, provided the number of certified SDVOSBs operating in Colorado, and the efforts DPA made to help the State make progress towards its goal that year. Further, when we looked at older reports, none of the reports since Fiscal Year 2019 included insight into how DPA compiled the information and ensured the data was accurate and of high quality. For example, none of the reports since Fiscal Year 2019 explained what contracts and agencies count towards the goal, which agencies self-reported their data, and that only initial awards in the first year of a contract are reported.

DPA has not provided stakeholders complete information regarding the SDVOSB

contracting goal. As we describe in our Policy Consideration #2, some agency procurement staff indicated they were not aware of the SDVOSB procurement preference and some noted they needed additional information and guidance on how to apply it. We reviewed the information that DPA has provided to agencies regarding the SDVOSB goal and found that DPA has presented general information about the goal to state procurement staff, such as the existence of the goal and a procurement preference, and has asked agencies that do not use CORE to clarify some of their self-reported data. However, we found:

- DPA has never shared with agency procurement staff the annual SDVOSB report, the data it compiled to prepare the report, or its observations on each agency's annual progress toward the goal so that the agencies can verify the accuracy of the information included for them. DPA's communications with agency procurement staff also generally lacked any specific information about the goal, such as written guidance to clarify what the procurement preference is and how to apply it to contracts, or that would address the concerns and questions staff raised during this audit on how they may apply a preference and still adhere to Procurement Code requirements. As discussed in the Policy Consideration #2, the fiscal note for House Bill 14-1224 outlines that the General Assembly expected DPA to promulgate rules or issue technical guidance to help state agencies implement the requirements of this legislation.
- Although DPA provided examples of a webinar and emails sent to SDVOSBs about the goal in 2024 and 2025, none of the information provided any data, context, or information on the State's progress toward meeting the goal. We also found that DPA has not sent out any information about the goal to SDVOSBs since May 2024, when it emailed SDVOSBs informing them of the contracting goal and the potential for a price preference when bidding on state contracts, and directed them to a webpage with general information about how to do business with the State. Since then, DPA's email communications to SDVOSBs and annual presentations at a veteran small business conference have made no mention of the SDVOSB goal, or the potential for a preference, but instead have focused on asking SDVOSBs to register for the Statewide Equity Office's Supplier Diversity Directory, which is a database of businesses of all types that highlights small and diverse businesses. DPA told us that it mentioned the SDVOSB

goal and preference at these events, but written documentation they provided to us and shared with businesses mentioned neither the goal nor the preference.

- DPA’s webpage for the SDVOSB goal is not in a location where the public might expect to find it; although DPA’s State Purchasing and Contracts Office has a website with information on how to do business with the State, the SDVOSB goal webpage is in a separate location on the Statewide Equity Office website, which is within DPA’s Division of Human Resources.

Why did these problems occur?

DPA’s written procedure does not include clear steps to ensure reports are submitted timely and to all required recipients. DPA told us that it submitted the Fiscal Year 2025 report after the September 30 statutory deadline due to a miscommunication about who would distribute it. The procedure states that the State Controller should send the report; however, as of May 2024, the report is no longer a function of the OSC, so it is unclear who should submit the report.

Additionally, according to DPA, the Fiscal Year 2024 report was late because that was the first year the Statewide Equity Office was tasked with the responsibility, and the process to extract contract data from CORE took longer and was more complex than staff anticipated. DPA also indicated that by sending the report to the chairs of the House and Senate veterans affairs committees and the Board each year, and to Legislative Council staff in 2025, it believed it met its obligation to provide the report to all members of these entities. DPA’s procedure for compiling the report does not specify to whom the report should be submitted other than “the legislature”.

DPA’s procedure for compiling the report lacks clear and comprehensive steps to consistently produce accurate data. DPA’s manual process to extract data from CORE, in order to work around its reporting limitations, is complex and contributed to the inaccurate report data. Some instructions in the procedure are unclear, particularly for staff who are unfamiliar with CORE or the State’s procurement processes. For example, for Fiscal Years 2024 and 2025, a misunderstanding of the methodology by staff who had not previously been responsible for the report led to that staff not using expenditure coding to filter out the transactions that are not subject to the Procurement Code, such as expenditures for grants and state employee insurance claims. DPA’s procedure also instructs staff to use information from prior year analyses to identify SDVOSB vendors, instead of redoing the analysis each year, to save time because they indicated that manually matching the federal list to the CORE vendor identifiers each year is time-consuming. Further, Statewide Equity Office staff who are now responsible for preparing the report appear to lack a sufficient understanding or historical knowledge of how to review the data for accuracy—for example, not recognizing that a department’s total contract awards should not total \$0, and not recognizing that total statewide contract awards should not change by over \$1 billion from one year to the next. Staff also stated that their reporting methodology does not have steps to address all of the exceptions to the Procurement Code, such as contracts with the Colorado State Fair Authority or for bridge and highway construction, because they were not aware of a way to do further filtering in CORE, and that they do not instruct the agencies that are self-reporting to do any filtering of their data because it has never been a part of the reporting process to do so.

DPA staff also indicated that, ultimately, they do not believe that CORE data can be used to accurately report contract awards because staff from each agency have discretion in how they use CORE coding and have the discretion to follow the Procurement Code even if they are not required to do so; staff stated that, as a result, relying on CORE coding to determine which contracts were awarded under the Procurement Code is unreliable. DPA also stated that it is in the process of purchasing a new electronic procurement system for the State, and is looking into whether it could help their procedures for extracting the contract data for SDVOSB reporting. However, until a new system is implemented, CORE coding does provide a degree of consistency across agencies.

DPA believes its communication has been sufficient, and in line with what is statutorily required. According to DPA, statute only requires it to report the datapoints specified in statute, and that the information it has provided about the SDVOSB goal, in the reports and elsewhere, is all that is required. For example, DPA indicated it is not within its purview to instruct SDVOSBs on what the State has implemented for contracting that would be relevant to the goal because individual agencies have discretion on this. DPA also indicated that to include more information in the report could make the report significantly longer and less accessible to its intended recipients and other readers.

Additionally, DPA told us that it provides periodic updates to procurement officials and staff, which include reminders about the SDVOSB goal, information about veteran business events, and notices of when solicitation templates are updated. DPA was not able to provide us with copies of these communications from recent years because it did not retain those emails; however, we reviewed the solicitation templates posted to DPA's website and noted that they each mention the SDVOSB goal, and two also mention that a preference for SDVOSBs may be applied to the price, but they do not specify the size of or otherwise describe how to apply the preference. For example, in a 2018 presentation to procurement officials, DPA specified that SDVOSBs were eligible for a 5 percent price preference, but the current solicitation templates do not provide this guidance. DPA did suggest that the Statewide Equity Office that now prepares the SDVOSB report is in a position to create better accountability for agencies to track progress towards the SDVOSB goal due to Executive Order D 2020 175, which requires agencies to report to DPA through the Statewide Equity Office annually on growth metrics that each agency creates related to diversity, equity, and inclusion initiatives. DPA suggested that it could require agencies to report to it on SDVOSB contracts and include this information on its performance measure dashboard.

It is unclear how DPA should prioritize SDVOSBs among its statutory priorities. Prior to moving the SDVOSB reporting responsibilities to its Statewide Equity Office in mid-2024, DPA provided more information in the SDVOSB report and guidance to SDVOSBs regarding state processes for contracting. For example, the SDVOSB annual reports through Fiscal Year 2023 included a summary of various efforts that DPA made to help the State make progress towards the goal, as well as summary information regarding the number of SDVOSBs in Colorado, which is data that DPA obtains annually when it compiles the report. Additionally, staff from the State Purchasing and Contracts Office would email SDVOSBs not registered in VSS to inform them of the SDVOSB contracting goal, the possibility of a procurement preference, and how to register in VSS and seek state contract opportunities.

Since DPA transferred the SDVOSB reporting to its Statewide Equity Office and the Statewide Supplier Diversity Program, DPA's outreach to SDVOSBs has not included mention of the goal or procurement preference. Instead, emails have focused on inviting businesses to register for the Statewide Equity Office's Supplier Diversity Directory, which is designed to help any business gain visibility to potential customers. The Statewide Supplier Diversity Program was created as a result of the 2020 disparity study, which the General Assembly directed DPA to commission, and is required by statute to reduce disparities among historically underutilized businesses (HUB) and the utilization of such businesses in state procurement. A HUB is defined as a business that is at least 51 percent owned by individuals who are members of a racial or ethnic minority group; non-Hispanic Caucasian women; persons with physical or mental disabilities; or members of the lesbian, gay, bisexual, and transgender community [Sections 24-103-1002(3) and 24-103-1103(4), C.R.S.]. While statute explicitly names HUBs as a priority for the Statewide Supplier Diversity Program, it does not mention SDVOSBs even though SDVOSBs are the only group for which the State has a contracting goal. As a result, it is unclear whether SDVOSBs should be combined with the many diversity businesses or whether it should be prioritized separately from other businesses.

Why do these problems matter?

Overall, the SDVOSB reporting process is a mechanism intended to monitor the efforts the State is making to reach its goal of awarding 3 percent of all state contracts, by dollar amount, to SDVOSBs. However,

- **Without accurate, quality information regarding the State's progress towards meeting its goal, the State cannot assess what steps should be taken so future progress can be made.** For example, because of the database errors in Fiscal Year 2023, DPA should have reported that the State awarded 0.29 percent of contracts to SDVOSBs instead of the 0.08 percent that was in the report. The computational errors that led to DPA reporting some inaccurate data in Fiscal Year 2024 resulted in DPA also reporting that the State awarded 0.08 percent of its contracts to SDVOSBs when it should have reported 0.18 percent for the year. For Fiscal Year 2025, these errors resulted in DPA reporting that the State awarded 0.31 percent of its contracts to SDVOSBs when it should have reported 0.23 percent. While these differences in total percentages are relatively small, the inaccuracies in the data mean that the report figures cannot be relied on to understand what progress the State is making towards its goal.
- **By DPA not explaining how the report figures are calculated, report users do not have a full understanding of the data and could draw the wrong conclusions about the State's contract awards.** For example, to avoid counting contracts multiple times, DPA only considers the amount initially encumbered for the contract in the year it was awarded. However, this figure cannot be considered the full award amount for a contract because agencies only encumber the amount to be spent that fiscal year. For example, in Fiscal Year 2019, an SDVOSB was awarded a contract for \$15,000. That contract was then amended over time, and by Fiscal Year 2023, the contract was valued at \$5.8 million. DPA's reporting methodology would have reported the \$15,000 award in the 2019 report, but would never have reported on the remaining 99.7 percent

of the contract amount. Additionally, by not specifying what contracts to exclude from their SDVOSB report data, the agencies that self-report may be providing data that is significantly different than what is being reported for the agencies that do use CORE.

Finally, the SDVOSBs in Colorado that are willing and able to work with the State, and the agency procurement staff that are responsible for agency contracting, rely on DPA as the State's authority for contracting activities; they are unlikely to take steps to help the State make progress towards its goal if the State's procurement authority does not provide sufficient instruction on how to do so.

Recommendation 1

The Department of Personnel & Administration (DPA) should improve its processes for reporting and providing information about the State's service-disabled veteran-owned small business (SDVOSB) contracting goal by:

- A. Revising its written procedures for compiling the report to include processes that ensure that the reports are annually submitted by the September 30 deadline, are shared with all of the required recipients, and have accurate data. These processes should include steps to ensure that any data extraction procedures to produce contract information for the report are performed accurately and that the data does not include purchases that are not subject to the Procurement Code.
- B. Including information in the annual SDVOSB report that provides context for the data, including but not limited to DPA's interpretation of what the data indicates about the State's progress towards the goal; understanding of factors impacting the data; and information on how DPA compiled the data. For example, the report should include information such as the requirements to be considered a certified SDVOSB; the total number of SDVOSBs operating in Colorado; which contracts and agencies count towards the goal; which agencies self-report their data; how the report was compiled; and what types of outreach efforts to state agencies, SDVOSBs, and other stakeholders DPA conducted during the year.
- C. Providing training, guidance, and tools to all state agencies and institutions of higher education on the statutory requirements for the SDVOSB contracting goal and procurement preference, and their responsibilities to address these requirements. This should include DPA ensuring that the information it provides to agency procurement staff, SDVOSBs and other stakeholders about the SDVOSB contracting goal and procurement preference clearly communicates to all parties what procurement tools and processes the State has implemented for contracting that is relevant to the SDVOSB goal; how to incorporate SDVOSB contracting and the procurement preference into agency procurement processes in a way that agrees with other Procurement Code requirements, and sharing information about progress towards the goal with agencies.
- D. Working with the General Assembly to seek clarity about how DPA should prioritize SDVOSBs in light of the Statewide Supplier Diversity Program's statutory responsibilities to reduce the disparities in the utilization of historically underutilized businesses, and about whether DPA should prioritize SDVOSBs separately from other business types.

Response

Department of Personnel & Administration

A. Agree

Implementation Date: February 2027

DPA will improve the processes for reporting and providing information about the State's service-disabled veteran-owned small business contracting goal by:

1. Revising written procedures to more specifically outline deadlines related to progress, review, completion, and dissemination of the reports to ensure that the reports are annually submitted by the September 30 deadline.
2. Sharing annual reports with all of the required recipients by including the list of recipients in the written procedures, acquiring a list of all members of committees/boards (Department of Military and Veterans Affairs, Colorado Board of Veterans Affairs, etc.) to add to the written procedures, and including verbiage encouraging recipients to distribute the reports with appropriate staff/all members, as well as including the audit's recommendation of sending the report to others not specified in Statute (e.g. Procurement Officials, etc) by distributing the report through direct emails, newsletters, presentations, etc.
3. Adding an additional internal auditing layer by DPA to review data and ensure data extraction, aggregation, and reported figures are accurate, and by adopting the additional coding recommendations in the audit to ensure the data does not include purchases that are not subject to the Procurement Code.
4. Providing instructions to self-reporting agencies to also filter their data to ensure the data does not include purchases that are not subject to the Procurement Code.
5. Updating requests to agencies to include SDVOSB contracts amended over time to ensure appropriate annual tracking.

B. Agree

Implementation Date: February 2027

DPA will improve processes and update written Standard Operating Procedures/checklists for reporting the State's service-disabled veteran-owned small business (SDVOSB) contracting goal by:

1. Including DPA's interpretation of what the data indicates about the State's progress towards the goal, what types of outreach efforts DPA conducted to state agencies, SDVOSBs, and other stakeholders (e.g. newsletters, training to state agency staff, webinars hosted/participated in, events attended for SDVOSB community, etc), as well as the requirements to be considered a certified SDVOSB, total number of SDVOSBs operating in

Colorado, and the total number of SDVOSBs registered in the State of Colorado procurement system (currently ColoradoVSS).

2. Identifying factors impacting the data (e.g. significant budget impacts, new or expiring large SDVOSB contracts, etc) and including this in the reports if applicable.
3. Providing background, methodology and key findings on how DPA compiled the data including which contracts and agencies count towards the goal, which agencies self-report their data versus centralized data pulls, and limitations for compilation due to the decentralized nature of the state and complex procurement system as well as certain data being self-reported from departments/IHEs.

C. Agree

Implementation Date: June 2027

DPA will improve processes for reporting and providing information about the State's service-disabled veteran-owned small business (SDVOSB) contracting goal by providing training, guidance, and tools to all state agencies and institutions of higher education on the statutory requirements for the SDVOSB contracting goal and procurement preference, and their responsibilities to address these requirements by:

1. Once clarified by the general assembly as explained in Recommendation 1D response number 3, DPA will create specific goal implementation guidance for agencies through collaboration with the State Purchasing and Contracts Office and the Statewide Equity Office. This guidance will be shared with SDVOSBs, other stakeholders, and all staff purchasing on behalf of the state through presentations, training, email communication, newsletters, contract templates, etc to procurement officials, purchasing agents, program managers, commercial card holders and others purchasing on behalf of the state so they are aware of what procurement tools and process the State has implemented for contracting that is relevant to the SDVOSB goal and how to implement the SDVOSB goal at their agency in a way that aligns with Procurement Code. (June 2027 Implementation)
2. Sharing information about progress towards the SDVOSB goal with agencies on an end of reporting basis (October), and through the Supplier Diversity Dashboard. This may have a fiscal impact to secure the appropriate dashboard software. (February 2027 Implementation)
3. DPA has added a section for principal agencies to report on their efforts toward meeting the SDVOSB goal in their mandated Colorado For All annual report. (February 2027 Implementation)

D. Agree

Implementation Date: June 2027

DPA will improve processes for reporting and providing information about the State's service-disabled veteran-owned small business (SDVOSB) contracting goal by working with the General Assembly to seek clarity in statute on:

1. How DPA should prioritize SDVOSBs among the historically underutilized businesses that statute requires the Statewide Equity Office's Supplier Diversity Program to prioritize.
2. Whether DPA should prioritize SDVOSBs separately from other business types.
3. Limitations in the statute for SDVOSB preference implementation due to autonomy of state agencies and institutions of higher education and the statute framing the preference as a discretionary tool. Statute states: a state agency "may" grant a preference for SDVOSBs. DPA cannot issue a directive requiring a decentralized agency to apply the preference in a specific way (or at all) because the statute explicitly vests that choice within the state agency itself. Further, Statute 24-103-905 defines DPA's role as a reporting function rather than a regulatory role. Additionally, no agency accountability mechanisms exist in the current statute. DPA has added accountability to the Colorado For All plan for reporting purposes.
4. Fiscal impact from any necessary additions to the Statewide Equity Office's Supplier Diversity Program for expanding SDVOSB research, outreach, communications, and marketing including, but not limited to, mapping SDVOSB B2B service capabilities to state agency procurement needs, promotion of the SDVOSB goal at events and conferences, admission at target events and conferences, travel, printed materials, personnel, digital advertising, social media promotion, direct marketing, video production, SDVOSB training, agency training, etc.

Appendix A

SDVOSB Contracting by Agency, as Reported by DPA

The tables in Appendix A show the SDVOSB contracting rates that were reported by the Department of Personnel & Administration (DPA) for the 20 departments, the Governor's Office, and relevant institutions of higher education (agencies) that contributed to the statewide goal. It is important to note that for all tables, the Total column represents the amounts that the departments and institutions of higher education initially encumbered for contracts in the first year of the contract in Fiscal Years 2023 through 2025 and does not represent the final value of all contracts awarded. The finding in this report discusses this, as well as issues concerning the accuracy of DPA's data shown in these tables.

Department of Agriculture

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	249	198	228	675
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$12,869,226	\$6,610,701	\$4,747,891	\$24,227,818
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Corrections

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	1	2	4
Total contracts awarded	1,038	928	926	2,892
Dollar amount of contracts awarded to SDVOSBs	\$158,130	\$50,000	\$67,117	\$275,247
Dollar amount of total contracts awarded	\$112,087,839	\$179,809,353	\$33,355,234	\$325,252,426
Percent of contracts awarded to SDVOSBs by dollar amount	0.14%	0.03%	0.20%	0.08%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Early Childhood

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	0	0	1
Total contracts awarded	64	276	319	659
Dollar amount of contracts awarded to SDVOSBs	\$33,055	\$0	\$0	\$33,055
Dollar amount of total contracts awarded	\$17,614,119	\$113,568,908	\$8,686,029	\$139,869,056
Percent of contracts awarded to SDVOSBs by dollar amount	0.19%	0.00%	0.00%	0.02%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Education¹

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	1	1	3
Total contracts awarded	409	472	429	1,310
Dollar amount of contracts awarded to SDVOSBs	\$38,655	\$60,170	\$131,157	\$229,982
Dollar amount of total contracts awarded	\$63,336,776	\$185,977,957	\$11,472,470	\$260,787,203
Percent of contracts awarded to SDVOSBs by dollar amount	0.06%	0.03%	1.14%	0.09%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ The Department of Education numbers include the Colorado Charter School Institute and the Colorado School for the Deaf and the Blind, agencies that have their own procurement officials.

Department of Health Care Policy and Financing

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	247	374	325	946
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$440,891,449	\$603,423,390	\$0 ¹	\$1,044,314,839
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ In the Finding we point out that the Department of Health Care Policy and Financing awarded \$336 million in total contracts in Fiscal Year 2025.

Department of Higher Education¹

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	214	325	273	812
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$9,196,671	\$542,577,193	\$4,731,852	\$556,505,716
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ The amounts are only for the Department of Higher Education and History Colorado, and do not include any institutions of higher education. History Colorado has its own procurement official.

Department of Human Services

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	2	1	4
Total contracts awarded	1,258	1,416	1,507	4,181
Dollar amount of contracts awarded to SDVOSBs	\$14,500	\$52,817	\$12,200	\$79,517
Dollar amount of total contracts awarded	\$297,967,905	\$384,643,367	\$46,646,007	\$729,257,279
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.01%	0.03%	0.01%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Labor and Employment

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	414	486	477	1,377
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$85,876,568	\$32,403,971	\$10,207,703	\$128,488,242
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Law

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	205	1 ¹	213	419
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$6,088,254	\$55,845 ²	\$0 ³	\$6,144,099
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ In the finding we point out that the Department of Law awarded 175 total contracts in Fiscal Year 2024.

² In the finding we point out that the Department of Law awarded \$5.8 million in total contracts in Fiscal Year 2024.

³ In the finding we point out that the Department of Law awarded \$7.7 million in total contracts in Fiscal Year 2025.

Department of Local Affairs

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	1	1	2
Total contracts awarded	63	104	121	288
Dollar amount of contracts awarded to SDVOSBs	\$0	\$151,800	\$140,400	\$292,200
Dollar amount of total contracts awarded	\$4,016,767	\$15,804,929	\$2,827,217	\$22,648,913
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.96%	4.97%	1.29%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Military and Veterans Affairs

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	2	1	4
Total contracts awarded	205	272	261	738
Dollar amount of contracts awarded to SDVOSBs	\$1,042,000	\$671,012	\$327,880	\$2,040,892
Dollar amount of total contracts awarded	\$10,342,060	\$28,322,385	\$3,710,855	\$42,375,300
Percent of contracts awarded to SDVOSBs by dollar amount	10.08%	2.37%	8.84%	4.82%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Natural Resources

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	2	4	10 ¹	16
Total contracts awarded	1,469	1,537	1 ²	3,007
Dollar amount of contracts awarded to SDVOSBs	\$73,467	\$249,002	\$5,354,999	\$5,677,468
Dollar amount of total contracts awarded	\$137,112,929	\$180,800,756	\$39,213,915	\$357,127,600
Percent of contracts awarded to SDVOSBs by dollar amount	0.05%	0.14%	13.66%	1.59%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ In the finding we point out that the Department of Natural Resources only awarded 8 contracts to SDVOSBs in Fiscal Year 2025.

² In the finding we point out that the Department of Natural Resources awarded 1,329 total contracts in Fiscal Year 2025.

Department of Personnel & Administration

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	2	2
Total contracts awarded	313	356	403	1,072
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$35,281	\$35,281
Dollar amount of total contracts awarded	\$32,381,652	\$30,097,678	\$6,133,317	\$68,612,647
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.58%	0.05%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Public Health and Environment

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	2	3	1	6
Total contracts awarded	726	1,864	1,452	4,042
Dollar amount of contracts awarded to SDVOSBs	\$206,360	\$67,833	\$50,000	\$324,193
Dollar amount of total contracts awarded	\$167,340,759	\$327,142,593	\$44,670,136	\$539,153,488
Percent of contracts awarded to SDVOSBs by dollar amount	0.12%	0.02%	0.11%	0.06%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Public Safety

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	1	0	1
Total contracts awarded	761	937	883	2,581
Dollar amount of contracts awarded to SDVOSBs	\$0	\$33,750	\$0	\$33,750
Dollar amount of total contracts awarded	\$53,560,101	\$167,232,854	\$36,039,647	\$256,832,602
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.02%	0.00%	0.01%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Regulatory Agencies

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	1	0	1
Total contracts awarded	131	115	133	379
Dollar amount of contracts awarded to SDVOSBs	\$0	\$36,250	\$0	\$36,250
Dollar amount of total contracts awarded	\$10,396,447	\$5,893,384	\$2,105,119	\$18,394,950
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.62%	0.00%	0.20%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Revenue

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	500	497	568	1,565
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$74,650,029	\$100,693,035	\$13,297,294	\$188,640,358
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of State

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	1	1	0	2
Total contracts awarded	154	188	318	660
Dollar amount of contracts awarded to SDVOSBs	\$28,400	\$250,000	\$0	\$278,400
Dollar amount of total contracts awarded	\$8,389,356	\$15,334,118	\$5,915,228	\$29,638,702
Percent of contracts awarded to SDVOSBs by dollar amount	0.34%	1.63%	0.00%	0.94%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Transportation

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	36	1	37
Total contracts awarded	6,148	11,370	894	18,412
Dollar amount of contracts awarded to SDVOSBs	\$0	\$143,868	\$35,284	\$179,152
Dollar amount of total contracts awarded	\$650,056,845	\$263,616,183	\$1,620,000,000	\$2,533,673,028
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.05%	0.00%	0.01%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Department of Treasury

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	0	0	0
Total contracts awarded	1	16	27	44
Dollar amount of contracts awarded to SDVOSBs	\$0	\$0	\$0	\$0
Dollar amount of total contracts awarded	\$2,031,758	\$3,875,928	\$710,114	\$6,617,800
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.00%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

Governor's Office¹

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	0	1	0	1
Total contracts awarded	1,168	1,277	1,174	3,619
Dollar amount of contracts awarded to SDVOSBs	\$0	\$25,000	\$0	\$25,000
Dollar amount of total contracts awarded	\$247,100,052	\$355,256,961	\$84,821,690	\$687,178,703
Percent of contracts awarded to SDVOSBs by dollar amount	0.00%	0.01%	0.00%	0.00%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ Includes the Office of Economic Development & International Trade and Office of Information Technology, which each have their own procurement official.

Community Colleges and Community College System¹

Fiscal Year	2023	2024	2025	Total
Contracts awarded to SDVOSBs	14	13	14	41
Total contracts awarded	6,083	6,620	6,526	19,229
Dollar amount of contracts awarded to SDVOSBs	\$448,758	\$1,388,045	\$810,700	\$2,647,503
Dollar amount of total contracts awarded	\$210,918,178	\$252,077,987	\$235,070,877	\$698,067,042
Percent of contracts awarded to SDVOSBs by dollar amount	0.21%	0.55%	0.34%	0.38%

Source: Department of Personnel & Administration's annual Service-Disabled Veteran-Owned Small Business Contracting Goal reports from Fiscal Years 2023 to 2025.

¹ Includes Arapahoe Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Northwestern Community College, Otero Junior College, Pikes Peak State College, Pueblo Community College, Red Rocks Community College, Trinidad State Junior College, and the Colorado Community College System administration, all of which have their own procurement officials.