

# Diversity Spend Procedures

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General Procedure for:  
**Calculating Diversity Spends on Large Capital Projects**

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Definitions	<ul style="list-style-type: none"> <li>• <b>Large Capital Projects:</b> Projects over \$5,000,000 which will or have obtained Board of Trust Approval.</li> <li>• <b>Cost of the Work:</b> shall mean costs necessarily incurred by the Contractor in the proper performance of the Work that are specifically included as set forth in Section 16.2 through 16.6 of Vanderbilt University’s Standard General Conditions AIA A201 document.</li> <li>• <b>Direct Spend:</b> refers to Suppliers (architects, engineers &amp; consultants; construction managers; general contractors and other service contracts that engage in work directly with VU via an Agreement or Purchase Order). Direct Spends also include Owner Purchase Orders (OPO) established on a project on behalf of the Construction Manager, through Vanderbilt’s standard OPO process.             <ul style="list-style-type: none"> <li>○ <b>Tier 1 Supplier</b> are identified as these direct spend suppliers related to services, and materials with Direct Spend, where the invoices are paid directly by Vanderbilt under an Agreement or Purchase Order.</li> </ul> </li> <li>• <b>Indirect Spend:</b> refers to all the subcontractors, subconsultants, affiliates, and sub-subcontractors that have an agreement with a Tier 1 Supplier for the performance of a part of the work. The Tier 1 Supplier pays the subcontractor, subconsultant, affiliate, sub-subcontractor, and/or partner directly. These purchases must be directly traced back to a specific VU agreement between VU and the Tier 1 Supplier and reported utilizing Vanderbilt’s Diversity Tracking Forms.             <ul style="list-style-type: none"> <li>○ <b>Tier 2 Supplier</b> is an example of indirect spend where the Tier 2 Supplier works and contracts with a Tier 1 Supplier. For a CM, these services are competitively awarded with VU concurrence.</li> <li>○ <b>Tier 3 Supplier</b> is an example of indirect spend where the Tier 3 Supplier works and contracts with a Tier 2 Supplier.</li> </ul> </li> <li>• <b>Diversity Certification</b> is when a diversity-owned organization is enrolled in a third-party certification agency to validate their diversity category and ownership status. Examples include: WBENC Women’s Business Enterprise National Council or Minority Business Develop State Certification Programs in Tennessee. Not all agencies are acceptable, please check with your VU Category Manager.             <ul style="list-style-type: none"> <li>○ <b>Minority Business Enterprise (MBE)</b> is a business certified to reflect that it is at least 51% owned, operated and controlled on a daily basis by one or more (in combination) American citizens of the following ethnic minority: African America, Asian American or Pacific Islander, Hispanic American or Indigenous People (including Aleuts)</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>○ <b>Women Business Enterprise (WBE)</b> is a business certified to reflect that a woman (or women) has a majority ownership and control of a business entity.</li> <li>○ <b>LGBT Business Enterprise (LGBTBE)</b> is a business certified to reflect that a business is majority-owned by an LGBT individual. The standard helps connect LGBTBE-owned businesses with company decision-makers at federal, state, and local levels.</li> <li>○ <b>Service-Disabled Veteran Owned Small Business (SDVBE)</b> is a business certified to reflect that a company is owned (at least 51%) and controlled by a Veteran with a Service-Connected Disability rating from the Department of Veterans Affairs.</li> <li>○ <b>Small Business Enterprise (SBE)</b> is a business enterprise that meets specific economic criteria and is owned, operated, and controlled by one or more persons.</li> <li>● <b>Joint Venture:</b> Means an association of two or more independent persons, partnerships, corporations (or any combination of them) formed, consistent with the laws of the State of Tennessee, to perform one or more specific contracts limited in scope and duration.</li> </ul>
<p>Purpose:</p>	<p>VU seeks to amplify the positive impact of diversity by asking our Suppliers to do business with diverse companies on our behalf. This information will be submitted with each invoice/pay application by utilizing the attached spreadsheet. Campus Planning and Construction Project Managers will report this information, as appropriate, to Facilities and Vanderbilt Leadership.</p>
<p>Policy:</p>	<p>As of December 2021, the VU goal for diversity spend for:</p> <p><b>Capital Projects in excess of \$5,000,000 is 30%</b>, as determined below:</p> <ul style="list-style-type: none"> <li>● Percentage shall be calculated by total DBE dollars spent / total subcontracted cost of work.</li> <li>● Diversity status (MBE, WBE, LGBTBE, SDVBE, SBE) for Tier 1, Tier 2 and Tier 3 Suppliers are to be recognized if an active certification is provided by the subject supplier.</li> <li>● <b>COUNTING DIVERSITY BUSINESS(ES) PARTICIPATION</b> <ul style="list-style-type: none"> <li>○ A business enterprise, including the Tier 1 supplier, that is certified as one or more Diverse Businesses, may not be counted for more than one certification status for the same project. The bidder/proposer must select one certification to which the business enterprise is to be recognized, however all certification statuses shall be noted.</li> <li>○ Businesses with spend in multiple categories/divisions of work however may be tracked, but the spend shall only be counted against one classification. For example, a supplier who is a MBE and LGBTBE is providing materials both within Division 8-Doors and Windows and Division 9-Finishes. They should only show certifications for one of the 2 statuses, however their spend may be tracked in both divisions. They could not list their spend twice, once under MBE and once under LGBTBE.</li> </ul> </li> </ul>



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	<ul style="list-style-type: none"> <li>○ For Tier 1 Suppliers, ie Construction Manager, the contractor fee can only be counted if the Tier 1 supplier meets the Diversity Status criteria. Their general conditions spends may be counted if proper backup, including a "Statement of Diversity Spend Utilization" and associated certificates, is provided indicating spend is being tracked through to a diverse business(es).</li> </ul>
<p>Process:</p>	<ul style="list-style-type: none"> <li>• Each contract for a project, Tier 1 Suppliers (Management, Design, Engineer, Contractor, Vendor), will be assigned the 30% target for diversity spend per Policy parameters herein.</li> <li>• Joint Ventures: A bidder/proposer may count toward the contract goal the portion of its expenditure to a joint venture that is equal to the percentage of the Diversity participation in the joint venture.</li> <li>• During solicitation(s) by Tier 1 Suppliers to Tier 2 Subcontractor Market diversity spend is estimated as bids and proposals are submitted and reviewed.             <ul style="list-style-type: none"> <li>○ These bids shall be tracked and reported via the "Subcontractor Response Report".</li> <li>○ Each awarded Tier 2 Subcontractor shall complete the "Statement of Diversity Spend Utilization" form indicating how their bid is broken down and recognizing the Diversity Status of all Tier 3 Suppliers included in their total.</li> <li>○ The estimates are used to calculate the spend and the recognized approval letters or certificates are used to verify a business entities status as a diverse business entity.</li> </ul> </li> <li>• Diversity spend is monitored from the point of award or contracting and through invoicing to assess progress toward goals.             <ul style="list-style-type: none"> <li>○ This is usually done via review of submitted pay applications and/or monthly invoicing, or by verification from the consultants, subcontractors and vendors.</li> </ul> </li> <li>• In order to track diversity spend, assessing compliance with the 30% target, reporting, utilizing the referenced "VU Minority Participation" Spreadsheet shall be provided monthly to the Project Manager within Campus Planning which can then be reported on a quarterly basis to Purchasing and Facilities leadership.</li> <li>• A closeout report will be produced when a contract or project has been closed out 2 months after the latest expenditure. This allows for an overall total to be derived and a calculation of the percentage of total diversity spend as it relates to diversity spend eligible costs.</li> </ul>



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<p>Example of Tier 3 Diversity Spend:</p>	<p><u>Question:</u> The CM submits a steel bid package to 6 subcontractors. None of these subcontractors meet the diversity requirements however one bidder has elected to utilize a minority owned steel erector company as part of their team. Their total bid was \$1,000,000 and of that \$250,000 is value of the minority owned erector company bid. Would this Steel Subcontractor be counted as 25% Diverse towards the Goal or would this erector company not be eligible since they are a sub of a sub?</p> <p><u>Answer:</u> The amount (\$250,000) is counted toward the utilization goal. The <u>subcontractor</u> would not be considered an MBE or partial MBE. Instead, the <u>subcontract</u> award will have 25% Diverse Business Entity (MBE) Participation and the dollar amount will count towards either a scope or contract specific target or goal and the overall project target or goal for Diverse Business Entity (DBE) utilization. What is done to document this arrangement is (1) gathering proof of the agreement with the steel erector company, (2) verification of the erector company's status as a DBE/MBE, and then (3) monitoring of appropriate payment to adhere to the agreement/dollar amount provided.</p>
<p>Documentation Tools: (Attached for reference. Files can be found on the Campus Planning Website under Resources / For Contractor)</p>	<ul style="list-style-type: none"> <li>• The <b>Subcontractor Response Report</b> for tracking the full list of invited bidders, diversity status, bid and recommendation of award. (To be filled out by the Tier 1 Supplier)</li> <li>• The <b>Statement of Diverse Spend Utilization</b> for indicating how Tier 2 SubContractors are utilizing Tier 3 Suppliers as part of their overall bid. (To be filled out by the Tier 2 Suppliers, with all supporting certification documentation.) This document is a living document that should be updated as lower tiers are brought onto the project.</li> <li>• <b>VU Diversity Participation Tracking Spreadsheet</b> for calculating overall diversity contract amounts and spends. (To be filled out and submitted by the 5<sup>th</sup> of each month) by the Tier 1 Supplier as a means of tracking actual spend). This information should tie back to the pay application.</li> </ul>