

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
June 22, 2022
1:30 p.m.

901 East Cary Street
One James Center, Katherine Johnson Room
Richmond, VA 23219

Call to Order

The meeting was called to order at 1:47 p.m. by Chair Greg Fairchild.

In-Person Committee Members: Secretary Stephen Cummings, Greg Fairchild, Rick Harrell, April Kees, Secretary Caren Merrick, and Steve Stone

Virtual Committee Members: None

Committee Members Absent: Deborah Flippo

Ex-Officio Committee Member Present: Dan Pleasant

Other Board Members: Carrie Chenery, Ned Masee, Vince Mastracco, Marianne Radcliff, and Xavier Richardson

VEDP staff present: Nicole David, Michael Dreiling, Jason El Koubi, Kim Ellett, Stephanie Florie, Jennifer Garrett, Katherine Goodwin, Bob Grenell, and Sandi McNinch

In-Person Guests present: Kim McKay, Jason Powell, and Nicole Riley

Virtual Guests present: Chris Kalafatis and Randy Sherrod

Public Comment Period

Chair Fairchild asked for public comments. There were none.

Approval of Minutes for March 16, 2022 Meeting

Chair Fairchild asked for approval of the minutes from the March 16, 2022 Committee meeting. A motion was made by Mr. Harrell and seconded by Mr. Stone and the minutes were unanimously approved as presented.

VEDP FY22 Financial Results (thru 3/31/2022)

Mr. Grenell shared the FY22 Operations Budget to actual for the nine months ended March 31, 2022. He explained that all divisions are close to or below budget through the first nine months of the fiscal year. He said that the market-facing divisions are under budget, but noted that the spending rate has increased in the fourth quarter of FY22. Mr. Grenell also reviewed Projects, Pass Thrus and Grants, which are all under budget. He stated that the FY22 budget balance remaining is for the Virginia Business Ready Sites Development and Characterization programs, adding that \$2.3 million for the Brownfields Restoration and Redevelopment Fund was paid in the third quarter.

Mr. Stone made a motion to approve the Q3 FY22 financial results. The motion was seconded by Mr. Harrell, and the motion was unanimously approved.

Proposed VEDP FY23 Operating Budget

Mr. Grenell shared a working draft of VEDP's FY2023 Operating Budget. He provided details of all revenue sources. Mr. Grenell made special mention of new and increased funding for several programs and functions, as well as funding that will support new studies/initiatives.

Mr. Grenell also provided budgeted expenditure details and explained each line item.

Mr. Harrell made a motion to approve VEDP's FY23 Operating Budget. The motion was seconded by Mr. Stone, and the motion was unanimously approved.

Extension Requests

Chair Fairchild introduced Ms. Goodwin to share her report.

Ms. Goodwin presented two extension requests for the Committee's consideration. She stated that the localities where these companies are located are supportive of the extension requests.

Smyth County Machine and Fabrication – Smyth County has requested a first extension of 15 months to provide more time for the company to reach its employment target. The company has already met its investment target. The company cites Covid-19 impacts for hiring delays. The company is implementing many tactics to increase hiring and retention, including increasing wage levels, establishing apprenticeship programs, and participating in both in-person and virtual job fairs.

Castle Hill Gaming/Ironworks Development – Albemarle County has requested a first extension of 15 months to provide more time for the company to reach its employment target. They are currently behind on hiring and have cited disruptions to their construction timeline due to Covid-19 impacts for hiring delays. The company has taken proactive steps to increase hiring by engaging a company to help with recruitment efforts and by offering company-wide compensation increases in early 2022. Completion of construction and occupancy of their facility is expected by mid-2022, which the company anticipates will further increase hiring. The company has exceeded its capital investment target.

Mr. Harrell made a motion to recommend approval of both extension requests that were presented. Mr. Stone seconded the motion, and the recommendation was unanimously approved.

Clawback Updates and OAG Referrals

Ms. Goodwin stated that there have been no new referrals to the Office of the Attorney General (OAG) since the last Committee meeting.

Ms. Goodwin shared the clawback report and explained that one clawback is past due for Blue Wolf in Tazewell County. The clawback has been requested.

Ms. Goodwin reviewed the clawbacks that have been requested but are not yet past due.

Ms. Goodwin shared a progress report on COF projects that are subject to clawbacks. She said that three clawbacks have been closed out since the Committee's last meeting in March of 2022 and that one clawback is still being processed.

Ms. Goodwin said there are no VJIP clawbacks from this period.

Ms. Goodwin stated that there is one data center project, OVH, currently subject to clawback, the amount of which is currently being determined.

Mr. Harrell made a motion to accept the clawback report. Mr. Stone seconded the motion, and the motion was unanimously approved.

Internal Audit Update, including Risk Assessment and Audit Plan

Chair Fairchild introduced Mr. Kalafatis with FORVIS (formerly Dixon, Hughes, Goodman, LLC) to provide a progress update on VEDP's internal audit function.

Mr. Kalafatis presented the details of VEDP's next 5-year audit plan, based on the annual Risk Assessment, which was recently conducted.

Mr. Kalafatis reviewed the prior 5-year audit plan. He shared the proposed approach for the next 5-year plan and explained that four or five divisional audits will be conducted in each of the next five years. Mr. Kalafatis said that VEDP management concurs with this approach.

Mr. Kalafatis introduced Mr. Sherrod to share the results from recent audits of the Fiscal division and the Virginia Talent Accelerator Program.

Mr. Sherrod thanked Mr. Grenell and his team for their excellent cooperation during the audit process. Mr. Sherrod explained that his team did not duplicate work that the recent external audit covered.

Mr. Sherrod reviewed that there was only one low-rated finding in the Fiscal audit related to the submission date of a document provided to DOA after the due date. The recommendation is that an extension request be filed in advance of the due date, which is allowed, if VEDP cannot meet this deadline in the future. Mr. Sherrod said that VEDP management concurred with the

recommendation and will take steps to see that this process is followed in the future, if needed. FORVIS will follow up on future audits to confirm that no future action is needed.

Mr. Sherrod provided an update on the Virginia Talent Accelerator Program audit. He emphasized that this audit was a good learning experience for himself and his team. Mr. Sherrod said that he greatly appreciates the collaboration with Mr. Grundmann and his team on the audit. Mr. Sherrod stated that the audit produced one medium-rated finding and one low-rated finding.

Mr. Sherrod explained that the medium-rated finding relates to the need for a more formal process/tool to track client communication, deliverables, and milestones. VEDP management concurred with the finding. VEDP plans to complete an RFP by June of 2022, which will outline the details of the type of client management system they want to implement. VEDP will work to select a vendor by Q3 2022 and implement the system in Q4 2022. FORVIS will follow up to confirm that these steps have been taken.

Mr. Sherrod said that the one low-rated finding relates to the need for an annual review of policies and procedures of the program. VEDP management concurs with the finding and plans to conduct a regular review of policies and procedures in May of each year, which will allow any changes to coincide with the beginning of a new fiscal year. FORVIS will follow up on future audits to confirm that the annual review is taking place.

Chair Fairchild thanked Mr. Kalafatis and Mr. Sherrod for their reports.

Mr. Kalafatis shared that a draft of the FORVIS internal audit contract for VEDP has been given to VEDP management. Mr. El Koubi explained the code requirement for VEDP's internal audit function. He said that VEDP is very pleased with the relationship with FORVIS and their work on VEDP's internal audit function, which he explained typically costs \$200K per year. Mr. El Koubi stated that the new contract provides the same scope of internal audit services as the previous contract for the same cost. Mr. El Koubi recommended to the Committee that VEDP continue with FORVIS for its' internal audit function.

Mr. Harrell made a motion to accept the internal audit plan; accept the internal audit reports for Fiscal and the Virginia Talent Accelerator Program; and recommend approval to the Board of the internal audit contract. The motion was seconded by Mr. Stone and the motion was unanimously approved.

Other Topics, Adjournment, and Next Meeting

The next meeting of the Finance and Audit Committee will be held in September, exact date and time TBD. The meeting was adjourned at 2:30 p.m.

Respectfully submitted,



Nicole David
Acting Recording Secretary