

**Minutes**  
**Finance and Audit Committee Meeting**  
**Board of Directors of the Virginia Economic Development Partnership**  
**June 7, 2023**  
**1:30 p.m.**

**901 East Cary Street**  
**One James Center, Board Room**  
**Richmond, VA 23219**

**Welcome and Call to Order**

The meeting was called to order at 1:37 p.m. by Chair Rick Harrell, who noted that a quorum was present.

Committee Members Present: Chair Rick Harrell, Secretary Stephen Cummings, April Kees, Pace Lochte, Secretary Caren Merrick, Will Sessoms, and Steven Stone

Committee Members Absent: None

Other Board Members: Carrie Chenery, Dan Clemente, Stephen Edwards, Bill Hayter, John Hewa, Anne Oman, Marianne Radcliff, and Nick Rush

VEDP staff present: Stephanie Agee, Vince Barnett, Nicole David, Jason El Koubi, Stephanie Florie, Katherine Goodwin, Bob Grenell, Stephen Hartka, Chris Hughes, Nicole Riley, Tim Stuller, Carrie Vuori, and Lisa Wallmeyer

Guests present: Greg Burkart, Chris Kalafatis, Kim McKay, Randy Sherrod, Kendra Shifflett, and Peter Tsengas

**Public Comment Period**

Chair Harrell asked for public comments. There were none.

**Approval of Minutes for March 8, 2023 Meeting**

Chair Harrell asked for approval of the minutes from the March 8, 2023 Committee meeting.

A motion was made by Mr. Stone and seconded by Ms. Lochte and the minutes were unanimously approved as presented.

### **VEDP FY23 Financial Results (thru 03/31/2023)**

Mr. Grenell presented the FY23 Operations Budget to actual for the nine months ended March 31, 2023. Mr. Grenell shared that all VEDP divisions, except one, are at or below budget through the first nine months of the fiscal year. Mr. Grenell said that the Real Estate Solutions division is ahead of budget but will be at or below 100% for the fiscal year.

Mr. Grenell highlighted areas where VEDP is behind in spending. He spoke about the Talent Solutions division and how some of their funds are being held for projects that have not been completed yet. He also mentioned Projects, Pass Thru's and Grants and how money for the Virginia Business Ready Sites Program is waiting for localities to complete projects before grant payments can be made.

Secretary Cummings noted that two thirds of the budget is well behind pace and asked what happens if VEDP does not get to the full spend on these things. Mr. Grenell answered that the cash rolls over into the budget for the next year. Mr. El Koubi noted that most of the money is obligated to commitments VEDP has already made.

### **Proposed VEDP FY24 Operating Budget**

Mr. Grenell discussed the FY24 budget summary, starting with a detailed explanation of VEDP's revenue sources. He explained that the interest revenue on VEDP's cash balance is being used to fund the Innovative Framework activities.

Mr. Grenell provided a reminder of VEDP's FY23 budget detail and also reviewed carry forward budget detail.

Mr. Grenell reviewed VEDP's Budget Expenditure Summary, which projects that VEDP will need \$71.3M from the General Fund for its FY24 budget, and the details of the projected expenditures.

Chair Harrell thanked Mr. Grenell for his report.

Mr. Sessoms made a motion to approve the Q3 FY23 financial results. The motion was seconded by Ms. Stone and the motion was unanimously approved.

Mr. Sessoms made a motion to approve VEDP's FY24 Operating Budget. The motion was seconded by Mr. Stone and the motion was unanimously approved.

## **Audit Update**

Chair Harrell introduced Mr. Kalafatis with FORVIS to provide a progress update on VEDP's audit function.

Mr. Kalafatis introduced Peter Tsengas with FORVIS and explained that during their recent audit of VEDP's Information Technology (IT) division they looked at core things that the Auditor of Public Accounts (APA) did not cover in their audit. These items became a part of FORVIS's audit scope.

Mr. Tsengas explained that in FORVIS' audit of the IT division there were a total of two medium findings, three low-level findings, and one best practice suggestion. He reviewed each of the findings and discussed the corrective actions and remediations plans for each, which should be completed by fall of 2023.

Mr. Hewa spoke about VEDP's position on allowing employees to use personal devices for VEDP business. He said he strongly encourages VEDP to consider whether or not these devices should be allowed to access VEDP's network and shared his organization's stance on the topic. Ms. Agee added that Virginia Information Technologies Agency (VITA) allows for personal devices to be utilized.

Secretary Cummings suggested that it would be helpful to see the APA and FORVIS audits of VEDP's IT function side by side, as a reminder of all of the findings and remediations and to track when items have been closed out. Mr. Kalafatis explained that as VEDP's audit function, FORVIS follows up to ensure that corrective actions and remediations have been completed and periodically reports back to the Committee. Mr. El Koubi offered that he, Ms. Agee, and FORVIS will work together on considering implementing this suggestion.

Mr. Sherrod shared that he and his team recently completed an audit of the Research division. He thanked Mr. Hartka and his team for their cooperation on the audit. Mr. Sherrod reported that the Research audit resulted in three low-rated findings. He reviewed each of the findings and discussed the corrective actions and remediation plans for each.

Mr. Kalafatis discussed the process for developing VEDP's five-year Audit Plan, based on the annual risk assessment, and discussed the details of FORVIS' proposed audit plan for FY24-FY28.

Mr. Kalafatis explained that audits of Real Estate Solutions and International Trade will take place in the fall of FY24. He said that Information Technology and Human Resources will happen in the second half of FY24.

Mr. El Koubi explained that, per Code, VEDP's audit function reports directly to the Board. He added that VEDP budgets \$200K for the contract relationship with FORVIS, which is going well

and there are no concerns with moving forward with FORVIS for providing audit services for the next fiscal year.

Chair Harrell thanked Mr. Kalafatis for his report.

Mr. Stone made a motion to recommend approval of the FORVIS audit report for the Research division, annual Risk Assessment, and the five-year Audit Plan to the full Board. The motion was seconded by Ms. Kees and the motion was unanimously approved.

**Finance and Audit Committee Charter Update**

Mr. Grenell reviewed the Finance and Audit Committee Charter, including suggested updates to the document and details of these proposed changes.

The Committee discussed the opinion of the APA that VEDP should not be required to produce full financial statements as part of its annual audit. VEDP will work to confirm whether a change to Code language is needed to adopt this change.

Mr. Stone made a motion to recommend approval of updates to the Finance and Audit Committee Charter to the full Board. The motion was seconded by Ms. Kees and the motion was unanimously approved.

**Closed Meeting**

**IT Security Update**

A motion was made by Mr. Sessoms and seconded by Ms. Kees to move into a closed meeting. The motion shown below was unanimously approved by the members.

I move that the Finance and Audit Committee convene a closed meeting to discuss IT security and governance issues pursuant to Subdivision A 19 of §2.2-3711, which allows for a discussion of information that could jeopardize the safety or security of VEDP's IT systems and software if made public.

Mr. El Koubi asked that VEDP staff be allowed to stay for the closed meeting for all matters and Chair Harrell agreed.

**Back in Open Meeting, Certification of Closed Meeting – Followed by a Roll Call vote:**

Upon the vote:	Chair Harrell	Aye
	Secretary Cummings	Aye
	Ms. Kees	Aye
	Ms. Lochte	Aye
	Secretary Merrick	Aye

Mr. Sessoms           Aye  
Mr. Stone               Aye

### **Extension Requests**

Chair Harrell introduced Ms. Goodwin to share her report.

Ms. Goodwin presented two extension requests for the Committee’s consideration, including one data center sales and use tax extension request. She stated that the localities where these companies are located are supportive of the extension requests.

**Acoustical Sheetmetal – City of Virginia Beach** has requested a 15-month extension to provide more time for the company to reach its employment target. The company has already exceeded its investment target. Acoustical Sheetmetal is experiencing significant turnover issues, causing the company to fall behind on its employment ramp-up. They have enhanced their recruitment efforts and believe that a 15-month extension will allow time for the labor market to improve.

**Point One – City of Virginia Beach** has requested an 18-month extension to provide more time for the company to reach its employment and capital investment targets. The company cites Covid impacts on the company’s target customers for the delays in achieving its metrics. The company recently received a \$100M investment, which will enable them to perform final buildout of their facility and recruit data center tenants. The company is optimistic that they will achieve their metrics with an 18-month extension.

Mr. Sessoms made a motion to recommend approval of both extension requests that were presented. Ms. Lochte seconded the motion, and the recommendation was 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.

The Committee and VEDP staff discussed the possibility of only providing the clawback report in the Committee meeting materials and not presenting it during Committee meetings, if there have not been any significant changes since the last Committee meeting.

Ms. Goodwin shared the clawback report and explained that no clawbacks are past due as of May 19, 2023.

Ms. Goodwin shared that three clawbacks have been paid and closed out since March 9, 2023.

Ms. Goodwin reviewed the progress report on VJIP projects subject to clawback. She stated that there have been no VJIP clawbacks referred to the OAG and no clawbacks are currently in process or past due.

Ms. Goodwin stated that there is one data center project, OVH, currently subject to clawback, the amount of which is currently being determined by an auditor from Tax. VEDP hopes to have a status update to share at the next Committee meeting.

Ms. Lochte made a motion to recommend approval of the clawback report. Mr. Sessoms seconded the motion, and the recommendation was unanimously approved.

Mr. Sessoms introduced the topic of workforce training and the Committee engaged in a robust discussion on this topic.

### **5% Fee Assessment on Unearned COF**

Ms. Goodwin shared background on the administrative fee for second COF extensions. She explained that a member of the Major Employment and Investment Project Approval (MEI) Commission requested consideration to assess the 5% administrative fee on the outstanding portion of the COF grant that would be subject to repayment as opposed to the entire grant amount. Ms. Goodwin stated that VEDP staff recommend making this change.

Ms. Lochte made a motion to recommend approval to the full Board of the change to assess the 5% fee on the outstanding portion of the COF grant that would be subject to repayment. Mr. Stone seconded the motion, and the recommendation was unanimously approved.

### **Qualifying Telework Positions for Incentive Qualification**

Ms. Goodwin presented information for consideration in adoption of a teleworking definition and verification process for calculating and counting telework/hybrid and fully remote workers, who are Virginia residents, toward companies' pledged metrics to qualify for certain incentive programs. She reviewed details of how these positions will be counted, adding that VEDP staff recommend making this change.

Mr. Sessoms made a motion to recommend approval to the full Board on adoption of the teleworking definition and verification process described. Mr. Stone seconded the motion, and the recommendation was approved. Ms. Kees abstained from the vote.

### **Other Topics, Adjournment, and Next Meeting**

Ms. Wallmeyer followed up from an item discussed earlier in the meeting related to the APA's suggestion that VEDP no longer provide full financial statements as part of its annual internal

audit. She confirmed that the charter change does not conflict with existing legislation and does not require any official change to Code.

The next meeting of the Finance and Audit Committee will be held on September 13, 2023, exact time TBD. The meeting was adjourned at 2:46 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Nicole David". The signature is written in a cursive, flowing style.

Nicole David  
Acting Recording Secretary