A G E N D A

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY
MEETING OF THE FINANCE AND AUDIT COMMITTEE (FAC)
December 6, 2023
1:30 P.M. to 2:30 P.M.

901 East Cary Street
James Center One, 7th Floor Katherine Johnson Room
Richmond, VA 23219

1:30 p.m. – 1:31 p.m.	**Welcome/Call to Order** – Rick Harrell, FAC Chair
1:31 p.m. – 1:33 p.m.	**Public Comment Period** – Rick Harrell
1:33 p.m. – 1:35 p.m.	**Approval of Minutes of 9/13/23 FAC Meeting** – Rick Harrell ▪ Action Item - Vote to Accept
1:35 p.m. – 1:45 p.m.	**VEDP FY24 Financial Results (thru 9/30/2023) –** Bob Grenell ▪ Action Item - Vote to Accept
1:45 p.m. – 1:55 p.m.	**Audit Update – Open Audit Issues Status** – FORVIS
1:55 p.m. – 2:10 p.m.	**IT Security Update** – Chris Hughes and Assura
2:10 p.m. – 2:25 p.m.	**Clawback Updates** – Katherine Goodwin ▪ Action Item - Vote to Recommend
2:25 p.m. – 2:30 p.m.	**Topics for Next Meeting**
2:30 p.m.	**Adjournment**

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
September 13, 2023
1:30 p.m.

901 East Cary Street
One James Center, Board Room, 9th Floor
Richmond, VA 23219

Welcome and Call to Order

The meeting was called to order at 1:40 p.m. by Chair Rick Harrell, who noted that a quorum was present.

In-Person Committee Members:	Chair Rick Harrell, Secretary Stephen Cummings, Pace Lochte, Secretary Caren Merrick, Will Sessoms, and Steven Stone
Virtual Committee Members:	April Kees
In-Person Other Board Members:	Carrie Chenery, Mimi Coles, John Hewa, and Marianne Radcliff
Virtual Other Board Members:	Bill Hayter
In-Person VEDP Staff Members:	Stephanie Agee, Nicole David, Jason El Koubi, Kim Ellett Stef Florie, Katherine Goodwin, Bob Grenell, Chris Hughes, Nicole Riley, Carrie Vuori, Lisa Wallmeyer, and Summer Xia
Virtual VEDP Staff Members:	Carrie Vuori
In-Person Guests:	Chris Kalafatis, Randy Sherrod, and Kendra Shifflett
Virtual Guests:	Chelsea Jenkins and Kim McKay

Public Comment Period

Chair Harrell asked for public comments. There were none.

The Committee approved the virtual participation of April Kees pursuant to subdivision (B) (4) of Section 2.2-3708.3 of the Code of Virginia and the Committee's policy adopted pursuant to

subsection D of Section 2.2-3708.3 of the Code of Virginia. April Kees participated remotely from the Pocahontas Building due to pending office move.

Approval of Minutes for 06/07/23 Meeting

Chair Harrell asked for approval of the minutes from the June 7, 2023, Committee meeting.

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

VEDP FY23 Financial Results (thru 06/30/2023)

Mr. Grenell presented the final FY23 financial results. Mr. Grenell said that, as anticipated, spending increased in the fourth quarter. He said that operationally VEDP is at 81% and Projects, Pass Thru's and Grants are at 75% of spending for the fiscal year.

Mr. Grenell highlighted areas where VEDP ended the fiscal year behind in spending. He spoke about the Talent Solutions, including the Talent Accelerator Program, and Incentives divisions.

Mr. Grenell said that the FY23 budget balance remaining for Projects, Pass Thru's and Grants is for the Virginia Business Ready Sites Development and Characterization programs (VBRSP) to be spent in future years. Mr. El Koubi added that substantially all of the sites dollars have been committed, but because they are paid out on a reimbursement basis, they tend to get spent in future years.

Mr. Grenell explained that unspent funds in the Talent Accelerator Program, International Trade, and the VBRSP included in Projects, Pass Thru's and Grants are programmatic commitments carried forward to the FY24 budget.

Mr. El Koubi spoke about the financial impacts of implementing the Innovative Framework for Economic Growth. He explained the budget strategy for initially standing up the sector teams, which includes utilizing vacancy savings and interest on fund balances. Mr. El Koubi said that these revenue sources cannot sustain the Innovative Framework for the long term. He added that VEDP will need additional revenue to fully implement plans and grow the sector teams, which he said will be included in VEDP's future budget requests.

Ms. Lochte made a motion to accept the financial results report. Mr. Sessoms seconded the motion, and the report was unanimously approved.

Audit Update

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

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Mr. Kalafatis shared that audits of the Real Estate Solutions and International Trade divisions will be kicking off soon.

Mr. Kalafatis shared the tracker of audit action plans from previous audits. He said that his team and VEDP expect to close 100% of the action plans by the end of 2023.

Chair Harrell thanked Mr. Kalafatis for his report.

ARMICS Update

Mr. Grenell explained that the Agency Risk Management and Internal Control Standards (ARMICS) is a directive from the Virginia State Comptroller issued in November of 2006. He reviewed the primary objective of ARMICS.

Mr. Grenell said that a question was posed at a previous Finance and Audit Committee meeting as to whether ARMICS applies to VEDP and whether VEDP has to follow the ARMICS guidelines.

Mr. Grenell said that VEDP did some research and determined that VEDP is not required to do a formal certification to the comptroller's office every year because VEDP is an authority, not an agency. Mr. Grenell added that VEDP does comply with many of the standards. Mr. Grenell reviewed the items where VEDP is in full compliance.

Mr. Grenell said that between audits conducted by the Auditor of Public Accounts (APA) and FORVIS, VEDP is compliant with the spirit of ARMICS.

Code of Virginia Update Related to Full Audited Financial Statements

Mr. Grenell reminded the Committee that at its last meeting, the topic of a Code of Virginia requirement which requires that VEDP submit an annual report, including full audited financial statements, came up for discussion. It was introduced due to a change that was suggested by the Auditor of Public Accounts (APA) to remove the requirement of providing this overly burdensome documentation and to allow the APA's annual audit report to satisfy this requirement.

A legislative request has been submitted to remove this requirement from the Code of Virginia and VEDP should have an update following next year's General Assembly session.

Secretary Cummings asked what Mr. El Koubi relies on when he makes his certification of VEDP's financial statements. Mr. El Koubi answered that he relies on third-party validation from the auditors (APA and FORVIS) and validation from members of VEDP's Executive Leadership

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Team, for areas that he does not have deep familiarity with, for their confirmation that VEDP is doing all of the things that Mr. El Koubi is attesting to.

Mr. Cummings emphasized the importance of this process and that the VEDP leadership team take validation of the information very seriously.

Chair Harrell thanked Mr. Grenell for his reports.

IT Security Update

Mr. Hughes shared VEDP's IT Audit Plan Five-Year Outlook, including routine audits, and numerous sensitive systems audits.

Mr. Hughes shared open audit findings and the status of each, stating that VEDP is in good shape overall.

Mr. Hughes shared VEDP's Nucleus vulnerability dashboard which displays vulnerability data since June 2023 across all sources. He explained that the dashboard provides intelligence on credible threats. Mr. Hughes said that he and his team have been working with VEDP's new security partner, Asura to monitor the progress that is being made on making VEDP's network more secure.

Mr. Hughes explained that VEDP's vulnerability management program is operational and focused on normalizing a 30-day remediation cycle. He said there is still a slight backlog, but that things are in good shape.

Mr. Hughes said that VEDP's partnership with Asura has allowed VEDP to rapidly improve information security and governance.

Mr. Hughes said that a representative from Asura will give a brief presentation at the next Committee meeting in December.

Secretary Merrick asked if this is a way to calculate the vulnerabilities that are external and based on software programs or are some of these also internal practices that VEDP needs to monitor?

Mr. Hughes answered that both are being tracked, but Nucleus provides a more holistic look at total vulnerabilities.

Mr. Harrell thanked Mr. Hughes for his report.

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Extension Requests

Chair Harrell 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.

Teal-Jones – Henry County has requested a 15-month extension for $200,000 COF and $53,600 VJIP grants to provide more time for the company to reach its employment target. The company has already exceeded its investment target. Teal-Jones is struggling in job creation, which is only at 40% of the goal. The company is taking a number of steps to increase hiring including increasing wages, engaging contract labor agencies and community vocational programs with the goal of transitioning these workers to full-time employees, and they have hired a dedicated Human Resources manager to focus solely on recruitment. VEDP believes that the company is doing all the right things to approach their jobs target by the extended performance date.

Total Fiber Recovery – City of Chesapeake has requested a 15-month extension for $200,000 COF grant to provide more time for the company to reach its employment and capital investment targets. The company has experienced delays in their startup production. They have ordered their equipment and are on track now. A General Manger has been hired, who is beginning to staff key positions. The company is optimistic that they will achieve their metrics by the extended performance date.

Mr. Stone 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.

Ms. Goodwin shared the clawback report and explained that no clawbacks are past due as of August 25, 2023.

Ms. Goodwin shared that eight clawbacks have been paid and closed out since June 8, 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.

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

Semi-annual Report on Incentive Performance

Ms. Goodwin shared the VEDP-Administered Incentives Dashboard. She highlighted that Merchant House and Block One have returned their COF grants totaling $740K.

Mr. Sessoms made a motion to recommend approval to the full Board of the Semi-annual Report on Incentive Performance. Mr. Stone seconded the motion, and the recommendation was unanimously approved.

COF Progress Reports

Ms. Goodwin shared that VEDP received 100% of the 73 COF Annual Progress Reports that were due for FY23.

Incentives Policy & Procedures Annual Review

Ms. Goodwin explained that VEDP's Incentives Administration Policy and Procedural Guidelines must be reviewed on an annual basis and any suggested updates must be reviewed and approved by the Board. She added that during the 2023 General Assembly session, there were no legislative impacts on VEDP-administered incentives.

Ms. Goodwin reviewed several proposed changes to the Guidelines. She explained that many suggested changes for this year are related to the Innovative Framework for Economic Growth.

Mr. Sessoms made a motion to recommend approval to the full Board of the suggested updates to VEDP's Incentives Policy and Procedural Guidelines. Mr. Stone seconded the motion, and the recommendation was approved.

Other Topics, Next Meeting, and Adjournment

Mr. El Koubi spoke about a recently published deep dive report by the Joint Legislative Audit and Review Commission (JLARC) on VEDP's most important incentives. He said JLARC's overall view of VEDP's incentives programs is positive and that the report is complimentary of VEDP's incentives processes. He noted that the report recommended that one incentive that is not currently administered by VEDP should be moved to VEDP to be most effective. He said this is a milestone for VEDP and that it reflects the great work that Katherine Goodwin, Kim Ellett, and others on the Incentives team are doing every day. Mr. El Koubi committed to sharing the report with the Committee for their awareness.

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The next meeting of the Finance and Audit Committee will be held on December 6, 2023, exact time TBD. The meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary

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CONTROLLER'S REPORT TO THE FINANCE AND AUDIT COMMITTEE

December 6, 2023

FY2024: OPERATIONS BUDGET TO ACTUAL FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

Division	Budget	YTD Actual	25%
Talent Solutions (Note)	19,698,482	2,235,232	11%
International Trade	12,123,610	2,097,735	17%
Business Investment	8,547,541	1,556,699	18%
Research	3,375,513	861,189	25%
Marketing and Communications	4,606,390	976,280	21%
Economic Competitiveness	1,406,251	354,772	25%
Real Estate Solutions	1,537,477	199,692	13%
Information Technology	1,239,553	301,984	24%
Incentives	1,187,018	245,271	21%
Administration	5,083,742	1,292,521	25%
Total VEDP Operations	**58,805,577**	**10,121,375**	**17%**
Projects, Pass Thru's, and Grants	12,758,266	1,097,600	9%
Total VEDP	**71,563,843**	**11,218,975**	**16%**

Note: Talent Solutions FY24 budget includes $17,166,658 for the Talent Accelerator Program, $1,675,646 for Regional Talent Solutions and Business Outreach, and $856,178 for VOEE.

FY2024: OPERATIONS BUDGET TO ACTUAL FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023

- All divisions are at or below budget through the first three months of the fiscal year.

- The market-facing divisions (Talent Solutions, International Trade, Business Investment, and Marketing and Communications) are under budget (15% combined). This spending rate is expected to increase as we move further into FY24 with the ramp up of the Innovative Framework for Economic Growth, as well as additional spending expected in Talent Solutions, International Trade, and Marketing and Communications.

- The Projects, Pass Thru's and Grants budget includes $8.0 million for the Virginia Business Ready Sites Development and Characterization programs, $2.3 million for the Brownfields Restoration and Redevelopment Fund, and $2.5 million for the Offshore Wind Supply Chain Development Program. First quarter spending includes $1.1 million related to Virginia Business Ready Sites program payments.

VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE DECEMBER 2023 FAC MEETING					
AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
Talent Accelerator FY22: M-1	No ERP or similar tool currently exists to track client communication, project deliverables and milestones.	Management of the Virginia Talent Accelerator Program should complete the plan to utilize an ERP or similar tool to track client communication, project deliverables and milestones. This will increase efficiencies in the documentation of data related to the program as well as the reporting that is required.	VEDP concurs with the finding and recommendation, and will: • Complete the detailed system specifications required for an RFP and cost-effective build-out (work on this is currently 75% - 80% complete) • Assess system vendors/builders and select the one that offers the best combination of expertise, value, and turn-around time	Complete system specifications for RFP by the end of June 2022. Have prototype built by the end of Q3 2022. Have system fully operating by the end of Q4 2022.	Closed
Research FY 23: L-1	Four Research Division policies / procedures (P&P) had not been reviewed since November 2018. In addition, eight P&Ps did not have a date of last review.	Research Division P&Ps should be reviewed annually, and this review should be documented.	Management agrees with this finding and will put a process in place to ensure that all policies and procedures are reviewed and updated on an annual basis. This review will be undertaken during the first quarter of each Fiscal Year. Cover pages will be added to all policies and procedures to document annual review and any updates that are made.	3/30/2024 (extended from August 2023)	Open – expected to be complete in March 2024 and validated by FORVIS by the June 2024 FAC Meeting
IT FY 23: M-1	Based on our testing of user access management controls, we determined that: • VEDP has not fully implemented an comprehensive agency-wide user access review process for all employees and contractors with access to the agency's network and IT systems.	• Implement and execute a comprehensive agency-wide user access review process that at least annually evaluates employee and contractor access to the VEDP network and IT systems. The reviews at a minimum should determine whether each employee or contractor: o Still requires access to the system.	VEDP concurs and has already addressed most of these findings. We started using Azure Access Reviews in February 2023, and will continue to use Azure Access Reviews quarterly for access reviews. We are building additional procedures to ensure all items in the recommendation are addressed.	8/1/2023	Closed

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AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
	Note: Through our walkthrough with the VP of IT, we determined that the agency is in the early stages of building out quarterly access reviews for VEDP User Group Profiles, Tourism Group Profiles and Contractor VPN Access to be performed within Azure Active Directory. • While the agency has established an access request form process for all general users, VEDP does not currently have an access request form process in place for employees requiring admin or privileged level access. • One (1) out of ten (10) employees tested in our new hire access request test sample did not have evidence of a completed New Hire Checklist on file. • Three (3) out of six (6) employees tested in our terminated employees access request test sample did not have evidence of a completed Logoff Request Form on file. • One (1) out of three (3) employees tested in our job title change test sample still had access to some of the old user group profiles associated with their previous job role,	o Has the appropriate privileges required to perform their assigned job role. o Group and system profile is appropriately configured. o Assigned role presents any separation of duties conflicts (e.g., general, and admin/ privileged users). • Develop and implement an access request form designed for employees requiring admin or privileged level access to the VEDP network or IT systems. • Complete the appropriate required access request documentation (e.g., New Hire Checklist, Logoff Request	VEDP will prioritize review of user request forms and make improvements where needed. VEDP IT and HR met with administrative staff April 19th and reminded them of the importance of Logon and Logoff requests, and that we will be policing those closely. Additional meetings were held May 22nd and May 23rd to discuss potential improvements to the checklist process. We are working to include 30-day follow-ups on user permissions for job title changes, as there is frequently a transition period. VEDP is adding additional request forms related to admin and privileged level access. Users requiring additional access will be required to fill out these forms and prove they meet the training and access requirements. VEDP has implemented a Contractor Logon/Logoff request form. It was utilized May 10th to onboard an accounting contractor and will be utilized for future contractors.		

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AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
	which were no longer required. • We identified a contractor who had been granted a user access upgrade. However, a documented user access upgrade request form was not generated to support the access change.				
IT FY 23: M-2	VEDP does not currently have a formal centralized change request ticketing process in place to monitor and track change request tickets submitted by agency personnel. To date most change tickets have been managed via email. Note: The agency purchased the Fresh Service ticket tracking system during the audit period, and VEDP plans to implement its change request ticket management process. In addition, the agency as part of its APA audit finding remediation efforts, is in the process of building out a Change Management Plan, which will help provide further governance around the agency's change management process being built into Fresh Service.	Develop and implement a change management plan and associated change request process that allows for centralized submission, tracking, testing, and approval of all change request tickets within the Fresh Service system.	VEDP concurs. We are working with Assura to formalize a Configuration Management Plan and will map that into the Fresh Service ticketing system upon completion.	1/31/2024 (extended from August 2023)	Open – mostly developed the new process but needs to be implemented. Expected to be complete in January and validated with FORVIS by the March FAC Meeting

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VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE DECEMBER 2023 FAC MEETING					
AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
IT FY 23: L-1	Per inspection of the VEDP Active Directory/Network password configurations, we determined that the following configurations were not in compliance with VITA IT Security Standard SEC-501: · Password History is set to 5 (SEC-501 requires 24)	Implement the following password configurations to comply with SEC-501 requirements: ·Password History should be set to 24.	VEDP concurs. The Password History has been updated from 5 to 24. VEDP is choosing to pursue the latest recommendations from NIST to require good non-expiring passwords when utilized with Multi-Factor Authentication and Risk-Based conditional access. Revision 12 of SEC-501 from 8/25/22 allows for this, but we will be sure to enforce the Max Password Age when a password is the only authenticator.	6/30/2023	Closed
IT FY 23: L-2	VEDP requires employees to complete mobile device agreement forms if using their own personal mobile devices. However, there is currently no mobile device agreement form in place for mobile devices issued for business use by VEDP management to authorized employees.	Develop and implement a mobile device agreement form required to be completed and signed by authorized employees who are issued an internally managed mobile device for business use.	VEDP agrees and has started to review the VITA policies and will prioritize creating and implementing this policy with assistance from Assura.	1/31/2024 (extended from August 2023)	Open – expected to be complete in January and validated with FORVIS by the March FAC Meeting
IT FY 23: L-3	While VEDP has on occasion performed data restore testing procedures, the agency does not have a formal process in place to perform data restore testing procedures at least annually.	Develop and implement a formal process for testing data restores on at least an annual basis, to validate the agency's ability to successfully restore business operations from data backups.	VEDP agrees. VEDP's network services team has created monthly assigned tasks to restore backups and document the results to prove successful restores.	6/30/2023	Closed
IT FY 23: BP-1	Per inspection of the VEDP Data Center we determined the following: • There were no video surveillance cameras located outside of the two entry points for the VEDP Data Center. • While the agency had fire extinguishers located outside	• Implement video surveillance cameras outside of both Data Center entry points, to provide 24/7 monitoring capability for the agency outside of normal business hours. • Ensure that fire extinguishers are inspected at least annually to ensure they are current.	VEDP agrees and is currently working to install cameras in the Data Center area. VEDP has ordered two new fire extinguishers and routine inspections via Summit Fire & Security	8/1/2023	Closed

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VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE DECEMBER 2023 FAC MEETING					
AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
	of the Data Center, they were expired.				

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INFORMATION TECHNOLOGY QUARTERLY BOARD REPORT

December 6, 2023

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VEDP IT AUDIT PLAN (5 YEAR OUTLOOK)

Audit Name	Auditor	Last Completed	Expected Completion Date				
			2024	**2025**	**2026**	**2027**	**2028**
Routine Audits							
APA Information System Security	APA	Q1 2023	Q1	Q1	Q1	Q1	Q1
Information Technology Department	Forvis	Q2 2023	Q2	-	Q1	-	-
Sensitive System Audits							
Salesforce	Forvis		Q1	-	-	Q1	-
VEDP custom apps and databases	Forvis		Q1	-	-	Q1	-
IT, Microsoft 365, and network systems	Forvis		-	Q1	-	-	Q1
Public websites, Slack, Widen, and Dropbox	Forvis		-	Q1	-	-	Q1
VOEE, Research database and dashboards	Forvis		-	Q1	-	-	Q1
Accounting System	Forvis		-	-	Q1	-	-
ADP Workforce Now	Forvis		-	-	Q1	-	-
Performance Management System	Forvis		-	-	Q1	-	-
Total Audits			**4**	**4**	**5**	**3**	**4**

VEDP IT HIGH AND MEDIUM AUDIT FINDING STATUS

Finding	Description	Audit	Status (% complete)	Comments & Next steps
MP1: March 2023	Improve Information Security Program and IT Governance	APA	🟢 100%	Improved and aligned security program and governance in all areas mentioned in the APA audit report. Developed roadmap to deliver a Virginia Information Technologies Agency (VITA) compliant program with Assura. Awaiting APA contact for Information System Security Audit.
MP2: March 2023	Improve Service Provider Insight	APA	🟢 100%	VEDP has improved service provider insight in multiple areas and developed a 5-year sensitive system audit plan. Working diligently to align with the new service provider oversight requirements in VITA SEC530. Awaiting APA contact for Information System Security Audit.
M-01: June 2023	Improve user access management controls	Forvis	🟢 100%	Improvements made to align around new VITA SEC530 security requirements. Logon and permission request forms revamped as the system is tightly integrated with our ADP HR system. Closed out with Forvis in November 2023.
M-02: June 2023	Develop and implement a change management plan	Forvis	🟡 90%	Developed IT Change Management Policy with Assura and aligned the change management processes within the Freshservice Service Desk Changes module. Created charter, monthly meeting, and workflow for a Change Advisory Board and putting into practice now. Expected close-out with Forvis in January 2024.

🟢 On schedule to meet goals 🟡 Behind and/or facing challenge 🟥 May not meet goals ⬜ On hold due to strategy shift

VEDP 2

VEDP IT LOW AND BEST-PRACTICE AUDIT FINDING STATUS

Finding	Description	Audit	Status (% complete)	Comments & Next steps
L-01: June 2023	Implement password policy changes	Forvis	🟢 100%	The SEC501 security policy was replaced by SEC530. VEDP is compliant with the password policy requirements in SEC530. Closed out with Forvis in November 2023.
L-02: June 2023	Develop and implement a mobile device agreement form for VEDP-provided devices	Forvis	🟡 90%	Implementing new Acceptable Use Policy and Mobile Device Agreement form. Reviewed goals with Forvis and marked for follow-up in January. Expected close-out with Forvis in January 2024.
L-03: June 2023	Develop and implement a formal process for testing data restores	Forvis	🟢 100%	Implemented formal processes with monthly tracking and auditing via ticketing system. Closed out with Forvis in November 2023.
BP-01: June 2023	Implement video surveillance and ensure inspection of fire extinguishers	Forvis	🟢 100%	Implemented video surveillance within datacenter and purchased new fire extinguishers with maintenance contracts through Summit Fire & Security. Closed out with Forvis in November 2023.

🟩 On schedule to meet goals 🟨 Behind and/or facing challenge 🟥 May not meet goals ⬜ On hold due to strategy shift

THE VULNERABILITY MANAGEMENT PROGRAM WAS EFFECTIVE IN MANAGING A BUSY QUARTER AND WORKING THROUGH BACKLOG
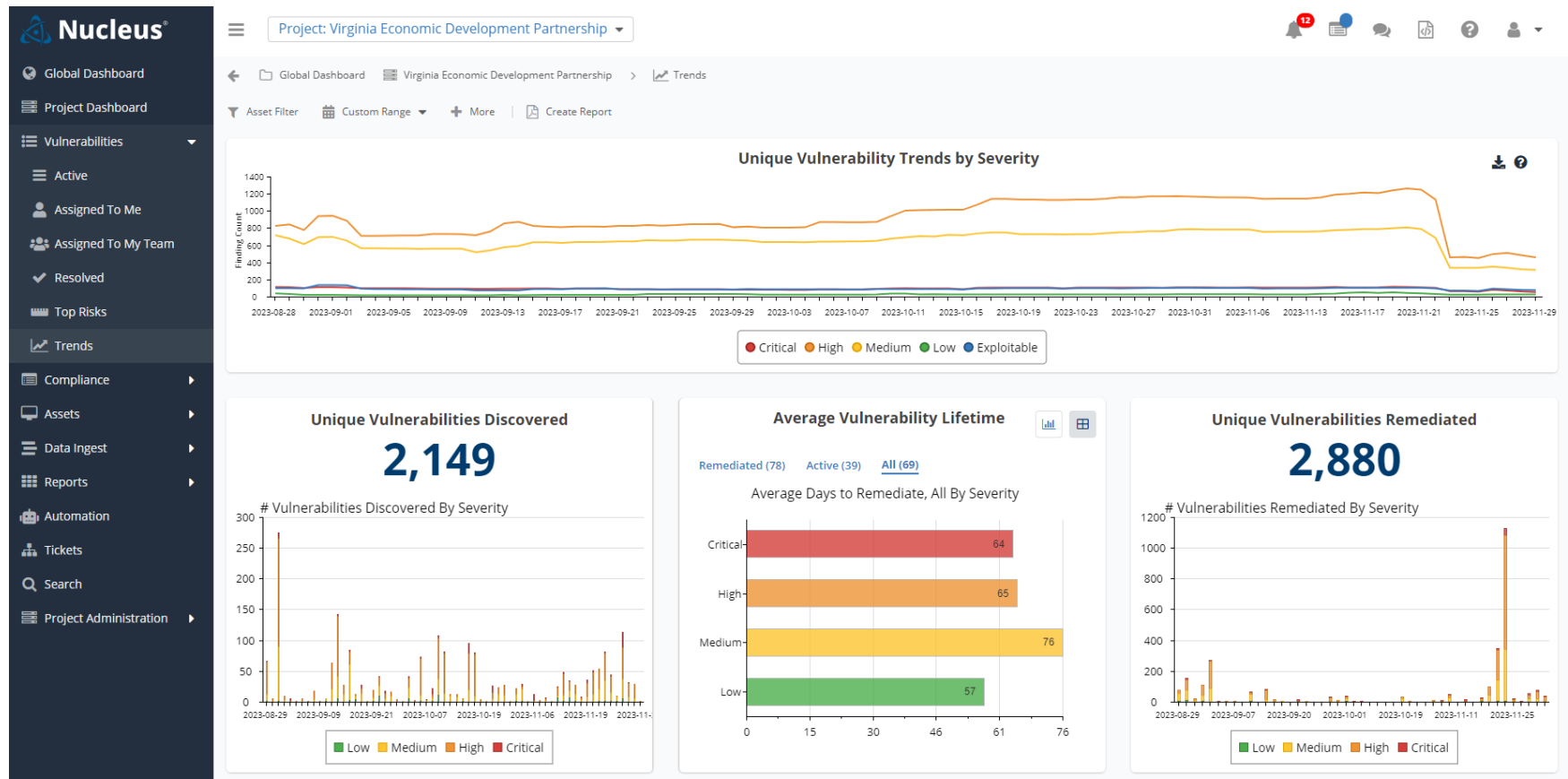
CYBERSECURITY PARTNERSHIP UPDATE

OVERVIEW OF ASSURA'S INFORMATION SECURITY SERVICES

- Information Security is about maintaining the confidentiality, integrity, and availability of data and assets at VEDP
- VEDP has partnered with Assura to address this need on multiple fronts, including technology, planning, and documentation

Vulnerability Management	Security Information and Event Management (SIEM)	Virtual Information Security Officer
• Identifies vulnerabilities on technology assets through regular scanning • Works with VEDP staff to remediate based on impact to the agency and exploitability • Regular, reportable metrics on remaining vulnerabilities and time to remediate	• Monitors for malicious threats in VEDP's environment • 24/7/365 Security Operations Center (SOC) with alerts to VEDP staff within an hour of identification • Regular weekly and monthly reporting on identified alerts and impact to the agency	• SEC530 Control expert identifies compliance gaps and develops remediation strategy • Executes remediation strategy through core documentation • Incident Response Plans, Disaster Recovery Plans, Risk Assessments

COMPLIANCE ASSESSMENT SUMMARY

Overall Compliance with SEC530 Control Requirements

Pie chart showing: Exception 0, Compliant 108, Partially Compliant 230, Substantially Non-Compliant 83
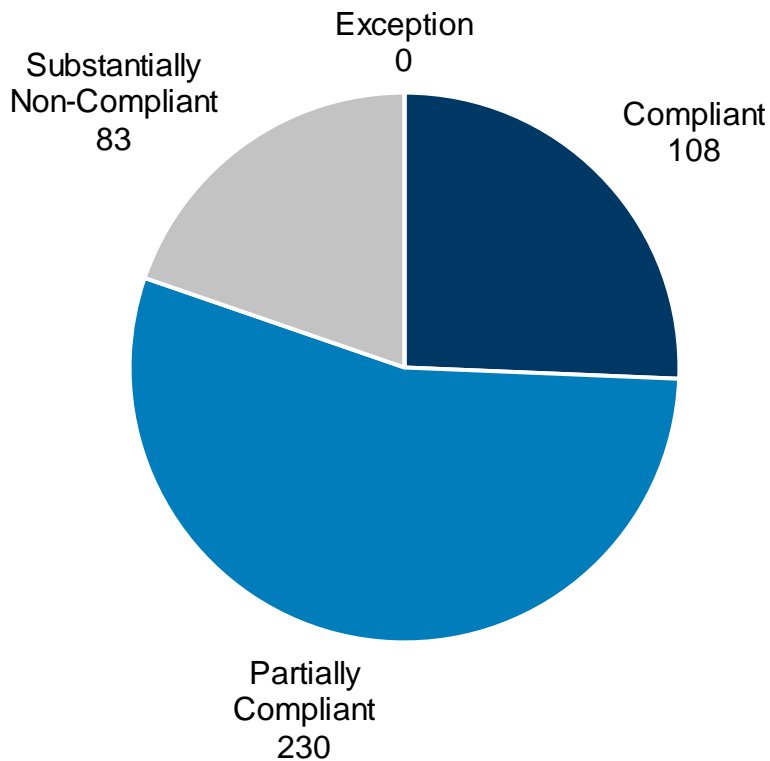
- VEDP scored 53% overall on the assessment
- Of the 421 SEC530 controls:
  - 108 (26%) fully compliant
  - 230 (54%) partially compliant
  - 83 (20%) substantially non-compliant
  - 0 (0%) documented exceptions
- The high number of partial-rated controls is a great sign for the organization
  - VEDP staff were informally managing many security items that simply lack documentation
- As remediation is underway, this chart will be updated regularly to show progress
- The Board should expect a rapid remediation followed by a slowdown, as more complex, resource heavy items remain

NEXT STEPS – ROADMAP FOR COMPLIANCE

Projected Remediation Tasks

Initiative	Progress
Compliance Assessment	Complete
Incidents Response	Complete
Policies, Procedures, Standards, and Guidelines	In Progress
Business Impact Analysis	Planned
Data Classification	Planned
Risk Assessments	Planned
Risk Treatment Plan	Planned
IT Disaster Recovery	Planned
Role Based Training	Planned

- Based on the partial and non-compliant controls, Assura worked with VEDP to develop a roadmap for compliance
- Roadmap covers the remediation documentation that needs to be developed to meet control requirements
- Similar to the Compliance Chart, this will be updated regularly as progress is made and will act as a measure of success for the project
- As Assura provides audit defense for both the APA and Forvis audits, there may be impacts or changes to the schedule of events

Charlottesville

INCENTIVE-RELATED FAC MATERIALS

December 6, 2023

FINANCE & AUDIT COMMITTEE

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Virginia Creeper Trail,
Washington County

REPAYMENT REQUIREMENTS FOR COF UNDERPERFORMANCE

Per the Code of Virginia § 2.2-115. (Commonwealth's Development Opportunity Fund, or COF), all COF performance agreements "shall provide that if the private investment and new job contractual requirements are not met by the expiration of the date stipulated in the contract, including any extension granted by the political subdivision and the Commonwealth, the business beneficiary shall be liable to the political subdivision and the Commonwealth for repayment of a portion of the funds provided by the political subdivision under the contract and liable to the Commonwealth for repayment of a portion of the funds provided from the Commonwealth's Development Opportunity Fund."

JLARC Recommendation No. 24: "The Virginia Economic Development Partnership (VEDP) board of directors should require VEDP to develop and use standard policies and procedures that clearly explain when and how staff should enforce clawback provisions. Enforcement should be consistent and effective for all companies that do not meet their contractual obligations, including wage requirements. The board should require VEDP staff to report regularly to the full board on each project that is subject to a clawback and the repayment status for each project that is subject to a clawback."

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of November 10, 2023

Company	Locality	Clawback amount due ($)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Home Care Industries	Mecklenburg	150,000	Full repayment of $150,000 grant due 5/1/2013; company closed in January 2013; hard asset created (site preparation) through use of COF grant. **The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	10/5/2010	3/31/2014
Lindenburg	Appomattox	1,400,000	Project not proceeding as planned; repayment of $1,400,000 grant due 3/7/2016; VEDP has been pursuing an injunction to attach foreclosure proceeds by alleging misconduct by the project consultant; VEDP has a pending lawsuit against Lindenburg. **The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	11/4/2014	4/30/2018
Tranlin	Chesterfield	4,811,726	Project not proceeding as planned; full repayment of $5,000,000 grant to be repaid. $150,000 repaid 10/24/2017; remainder to be repaid in six monthly installments of $833,561 beginning 12/1/2017, secured by deed of trust on land. Additional $38,274 repaid 9/19/2019. **The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	6/18/2014	12/31/2019
Evatran	Wythe	100,000	Full repayment of $150,000 to be paid in three installments of $50,000 each due 12/31/2016, 12/31/2017, and 12/31/2018; 2016 payment received; $50,000 installments due 12/31/2017 and 12/31/2018. **The VEDP Board, at its April 26, 2018, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	6/29/2010	12/31/2013
Axon Ghost Sentinel	Harrisonburg	75,000	Statutory minimum requirements not met; full repayment of $75,000 grant due 7/25/2019. **The VEDP Board, at its October 24, 2019, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	6/29/2015	10/1/2018
Basket Savings	Arlington	40,000	Statutory minimum requirements not met; full repayment of $125,000 grant due 9/30/19; $85,000 held by Arlington received 9/5/19; $40,000 balance due from Basket by 9/30/19. **The VEDP Board, at its October 24, 2019, meeting, directed the Office of Attorney General to enforce collection of clawback in accordance with § 2.2-2237.3.C.**	Yes	2/29/2016	6/30/2019
TOTAL		**6,576,726**				

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PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Clawbacks past due as of November 10, 2023

Company	Locality	Clawback amount due ($)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
None						
TOTAL		**0**				

Clawbacks requested but not past due as of November 10, 2023

Company	Locality	Clawback amount due ($)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Premier Tech	King & Queen	75,000	Statutory minimum employment requirement not met; full repayment of $75,000 grant requested 9/1/2023; due 12/1/2023.	Yes	11/8/2018	3/31/2023
Hardywood	Goochland	42,500	Investment threshold not fully met; prorated repayment of $42,500 of $500,000 grant requested 9/1/2023; will be repaid in quarterly installments of $10,625 due 12/1/2023, 3/1/2024, 6/1/2024, and 9/1/2024.	No	7/20/2015	6/30/2023
Kyocera SGS Tech Hub	Danville	200,000	Statutory minimum employment requirement not met; full repayment of $200,000 grant requested 6/15/2023; will be repaid in quarterly installments of $50,000 due 12/15/2023, 3/15/2024, 6/15/2024, and 9/15/2024.	Yes	9/8/2016	1/17/2023
TOTAL		**317,500**				

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Projects subject to clawback closed out since September 14, 2023

Company	Locality	Clawback amount received ($)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
PRA	Danville	780,000	Wage requirement not met; full repayment of $780,000 grant received 9/27/2023.	Yes	12/20/2018	12/31/2022
WillowTree	Albemarle	70,000	Job threshold not fully met; prorated repayment of $70,000 of $500,000 grant received 9/27/2023.	Yes	8/27/2018	3/31/2023
Empire Bakery	Franklin Co.	225,000	Statutory minimum employment requirement not met; full repayment of $225,000 grant received 10/10/2023.	No	10/15/2018	6/30/2023
Smyth County Machine and Fabrication	Smyth	100,000	Job threshold not met; full repayment of $100,000 grant received 10/10/2023.	No	1/22/2019	6/30/2023
TOTAL		**1,175,000**				

VEDP still processing closeout with performance dates at least 90 days prior

Company	Locality	Amount of grant ($)	Status	Previously Reported?	Announcement Date	Performance Date
Phoenix Packaging	Pulaski	600,000	Meetings being held with company and consultant to discuss a potential second extension.	Yes	4/12/2017	6/30/2022
ADP	Norfolk	5,000,000	Awaiting employment verification from the Virginia Employment Commission data.	Yes	3/15/2016	3/31/2023
Oran Safety Glass	Greensville	150,000	Met with company and consultant to discuss next steps related to non-performance. Waiting on the company to decide if they will request a second COF extension or repay a prorated clawback.	Yes	9/7/2017	3/31/2023
TOTAL		**5,750,000**				

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FINANCE & AUDIT COMMITTEE

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

City of Richmond

PROGRESS REPORT ON VJIP PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of November 10, 2023 – NONE

Clawbacks past due as of November 10, 2023 – NONE

Clawbacks requested but not past due as of November 10, 2023 – NONE

Projects subject to clawback closed out since November 10, 2023 – NONE

VEDP still processing closeout with performance dates at least 90 days prior – NONE

FINANCE & AUDIT COMMITTEE

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

Shenandoah National Park, Albemarle County

PROGRESS REPORT ON DATA CENTER PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of November 10, 2023 – NONE

Clawbacks past due as of November 10, 2023 – NONE

Clawbacks requested but not past due as of November 10, 2023 – NONE

Projects subject to clawback closed out since November 10, 2023 – NONE

VEDP still processing closeout with performance dates at least 90 days prior

Company	Locality	Clawback Amount Due ($)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
OVH	Fauquier	TBD	Company indicated that statutory minimum capital investment of $150 million has not been met and cannot be met with an extension of the MOU; the client has been notified of the clawback and assigned an auditor from TAX to assist in determining the tax repayment due.	Yes	10/6/2016	6/30/2021
TOTAL		TBD				