

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
August 5, 2020 1:00 p.m.
Electronic (Zoom) Meeting

Call to Order

The meeting was called to order at 1:12 p.m. by Chair Bill Hayter, who noted that a quorum was present.

Committee Members Present: Secretary Brian Ball, Bill Hayter, Rick Harrell, April Kees, Secretary Aubrey Layne, Dan Pleasant

Committee Members Absent: Tom Farrell

Ex-Officio Committee Member Present: Ned Masee

VEDP staff present: Lindsay Barker, Vince Barnett, Jamie Canup, Melissa Cox, Nicole David, Jason El Koubi, Kim Ellett, Stephanie Florie, Jennifer Garrett, Bob Grenell, Sandi McNinch, Lori Melancon, Nathalie Molliet-Ribet, Stephen Moret, Christy Morton, Johan Salén, Tim Stuller, and Carrie Vuori

Guests present: Carrie Chenery, Dan Clemente, Deborah Flippo, Joe Hines, Chris Kalafatis, Charles Kennington, Vince Mastracco, Martha Mavredes, Kim McKay, Anne Oman, Marianne Radcliff, Xavier Richardson, and Randy Sherrod

Chair Hayter welcomed guests to the second electronic meeting of VEDP's Finance and Audit Committee. Chair Hayter noted that the Governor had declared a state of emergency in March due to the potential spread of COVID-19, a communicable disease threatening public health. The nature of the emergency makes it unsafe for this Committee to assemble in a single location. Because an in-person meeting is unsafe and the Committee wishes to discharge its lawful purposes, duties and responsibilities, the Committee is permitted by the Virginia Freedom of Information Act, as amended by the State Budget, to meet by electronic means without a quorum of members being physically assembled at one location.

Chair Hayter added, the Committee is meeting in a Zoom environment that is open to the public. Should anyone from the public get disconnected from the public Zoom environment and be unable to re-engage, he or she was invited to call 804.278.7702 and speak to Jennifer Garrett. The Committee will halt the public portion of the meeting until the connection can be re-established.

Chair Hayter shared a few reminders of things that would be different than past meetings:

- Everything on the public Zoom environment will be recorded and the recording will be posted on VEDP’s website.
- All votes will be taken by roll call.
- Members should use the mute function, unless speaking—and remember to unmute at the appropriate time.
- During the public comment period, any member of the public wishing to make a comment may simply unmute and speak at that time or use the Chat function and ask to be given an opportunity to speak.
- Likewise, during the meeting, Committee members may simply unmute themselves to speak or use the Chat function.

Public Comment Period

Chair Hayter asked for public comments. There were none.

Approval of Minutes

Chair Hayter asked for approval of the minutes from the June 17, 2020 meeting. A motion was made by Mr. Pleasant and seconded by Ms. Kees and the minutes were unanimously approved as presented by roll call vote:

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye

Overview of FY20 Financial Audit Process

Chair Hayter introduced Martha Mavredes, Auditor of Public Accounts, to provide an overview of VEDP’s FY20 financial audit process.

Ms. Mavredes explained that the audit has begun and she and her team are aiming to have it wrapped up by the end of October in accordance with a Code requirement.

Ms. Mavredes said that as part of the audit they will look at financial statements, internal controls, and compliance with any federal or state laws or regulations that come into play.

Ms. Mavredes shared that they are doing as much as they can remotely to keep their staff and VEDP staff safe.

Ms. Mavredes stated that at the end of the audit they will offer an opinion and a report on internal control or compliance. She added that part of what they do is look at the results of Dixon Hughes Goodman's internal audits of VEDP divisions as well.

Ms. Mavredes asked the Board to share any concerns they have with Ms. Hayter and those will be relayed to Ms. Mavredes. Mr. Hayter offered his phone number to the Board members to call with any questions or concerns.

VEDP FY20 Financial Results (thru 6/30/2020)

Chair Hayter introduced Mr. Grenell to report on VEDP's financial results through the end of FY20.

Mr. Grenell shared the report, which showed that all divisions were within budget at the end of the fiscal year. He added that all divisions have underspending due to staff turnover vacancies during FY20.

Mr. Grenell highlighted that the Talent Solutions division's Virginia Talent Accelerator Program had a \$3.7M surplus that will be rolled over to FY21.

Mr. Grenell explained that VEDP's market-facing divisions (International Trade, Business Investment, and Marketing & Communications) have significant budget surplus amounts due to COVID-19 related reductions in spending during the last four months of FY20.

Mr. Grenell concluded his report by reviewing the details of the Projects, Pass Thru's and Grants \$2.7M unspent balance. He said that overall it is a large surplus, but considering the situation, it was not unexpected.

Mr. Moret added that VEDP made a concerted effort to try to limit spending where possible to cushion against the potential for budget cuts.

Mr. Pleasant made a motion to accept the financial report. Mr. Harrell seconded the motion and the motion was approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye

Internal Audit Update

Chair Hayter introduced Mr. Kalafatis with Dixon Hughes Goodman LLP (DHG) to provide an update on recent VEDP internal audits.

Mr. Kalafatis reviewed the status of VEDP's Management Action Plan, which included actions that were identified in recent internal audits. There were 8 action plans related to Human Resources, 1 action plan related to Incentives, and 1 action plan related to the JLARC audit.

Mr. Kalafatis explained that most items have been addressed. He shared that one of the actions related to Human Resources is on hold due to the state hiring freeze. VEDP has not been able to extend an offer for the VP of HR role, so the due date for this item has been extended. He added that another Human Resources related action plan which has to do with the timeliness of performance evaluations has also been given an extended due date, from its original due date of the end of June. Evaluations are not due until September 30, so DHG has not been able to verify that they have been done. DHG plans to report back on these open items at the October Board meeting to make sure they have been closed out.

Mr. Kalafatis reviewed the schedule for upcoming internal audits. He said that the VJIP part of Talent Solutions and Business Investment audits will be kicking off at the beginning of October. He added that the Marketing & Communications audit will kick off in the middle of January 2021 and run until the middle of April 2021. He said that the Annual Risk Assessment will occur during the March/April 2021 timeframe.

Extension Requests

Mr. Salén presented an extension request for the Committee's consideration.

Euro-Composites Corporation has requested a second extension of 12 months to meet its employment target. The company has met its investment target by more than double, but has not met its employment target. Mr. Salén said that they are specifically citing COVID-19 as to why they have not been able to hire the additional employees needed to meet the target. Mr. Salén explained that this second extension request requires MEI approval and a second extension fee of \$7,500 (unless waived).

Mr. Pleasant made a motion to recommend approval of the extension request to the full Board. Mr. Harrell seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye

Clawback Updates and AG Referrals

Mr. Salén stated that there have been no new clawbacks or referrals to the Office of the Attorney General (OAG).

Mr. Pleasant made a motion to recommend approval of the clawback report to the full Board. Mr. Harrell seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye

Semi-annual Report on Incentive Performance (as of 6/30/2020)

Mr. Salén shared the report and provided a high-level overview. He noted that the percentage of targets met is improving, and believes we will see an improvement going forward in companies meeting the targets set out for them. VEDP is also seeing fewer clawbacks, especially those that are not being received.

Mr. Salén highlighted that VEDP has added custom grants to the report.

Chair Hayter asked if it would be fair to say that the improvement is related to issuing grants post-performance, improvement in the economy during this same period of time, and/or VEDP becoming better at vetting the companies before grants are given.

Mr. Moret answered that the single biggest change has been the shift to doing mostly post-performance incentives. In addition to that, he said the creation of the Project Review and Credit Committee (PRACC) process going back to 2016/2017 has been an important factor. He also attributed the reform steps, going back to 2017, of creating a dedicated Incentives Division and the work of the Office of the Attorney General in assisting with clawback matters where VEDP has been unsuccessful have been very impactful. Mr. Moret added that there may have been some modest impact from the economy, as well.

Chair Hayter offered his compliments to the VEDP staff for their great work on these improvements.

Mr. Pleasant made a motion to recommend approval of the Semi-annual Report on Incentive Performance to the full Board. Mr. Harrell seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye

Report on COF Progress Reports for FY20

Mr. Salén reminded the Board that for the past two years VEDP has achieved 100% on COF Progress Reports received, but unfortunately this year VEDP is still missing two reports. He said that reports were due on June 30 and the team has been following up on a weekly basis for the past two months. He said that 97% of the reports have been received and the Incentives Division will continue following up. Mr. Salén anticipates having 100% received soon.

Update on COVID-19 Impacts on Incentives Administration

Mr. Salén shared that VEDP has begun to receive requests for extensions and inquiries regarding how companies should handle delays in performance due to COVID-19. He said that due to the fact that the Commonwealth already has a process for requesting extensions in place, VEDP does not feel like it needs to take any new actions to respond.

Approach to JLARC-related Commitments

Mr. El Koubi reminded the Committee of a discussion at the last Committee meeting, which was related to the future of the JLARC commitments in terms of the maintenance plan and reporting.

Mr. El Koubi shared that the matter was discussed at the VEDP management level following the Committee and Board meetings. The team reviewed the things that have happened since 2016 to help VEDP stay on track with the recommendations, including verbiage included in the Code of Virginia, policies that VEDP has developed, creation of new documents and tools, etc. The team agreed that these things and others have provided the framework for maintaining the JLARC commitments. The team also noted that some recommendations were “one and done” items and have been completed. Mr. El Koubi shared that VEDP’s management team feels that there is a lot to keep VEDP on track, even in the absence of a formal maintenance plan/tracker that is continuously updated.

Mr. El Koubi proposed an evergreen slide that could be featured in VEDP’s annual Operational Plan that would provide an efficient way to stay on track with these items and how the Board engages with them.

Mr. Masee noted that 5 of the JLARC recommendations were related to HR policies and procedures. He asked if VEDP is being hampered by not having a VP of HR in place in trying to achieve these recommendations.

Mr. El Koubi said VEDP has substantially addressed all of the recommendations, even with a small HR team that supports both VEDP and VTC. There is more that VEDP wants to do (training, etc.), but the Human Resources division is constrained by limited staff. There is a plan to implement VEDP’s overall talent management strategy, but it does require extra staff. Mr. El Koubi pointed to the recent DGH audit of the Human Resources Division, which recommended that VEDP/VTC should double the staff capacity of the HR group to solve fundamental issues and support VEDP’s aspirations.

Mr. Kalafatis echoed Mr. El Koubi’s comments. He added that the JLARC recommendations do not ever really go away, as many of them will be included in divisional audits overtime.

Secretary Ball spoke to the state’s hiring freeze. He said that there has been no delay on the part of VEDP in perusing the approval to hire a VP of HR, but the administration has been very sparing in granting waivers during this time.

Chair Hayter stated that considering the significant improvements that have been made and that DHG is reviewing these on a periodic basis, he does not feel it is important that the Committee reviews all items on an ongoing basis and instead focuses on any open items brought to the Committee by DHG. He feels the staff has done a great job of responding, the Board has reviewed and responded, and attention needs to be placed on other things.

Mr. Pleasant supported this approach.

Ms. Chenery stated that she agrees with Chair Hayter on the format going forward.

Mr. Harrell made a motion to endorse the new approach of providing an evergreen slide as part of VEDP’s annual Operational Plan to report on these items and to rely on the internal audit process going forward to identify any issues. Mr. Pleasant seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Ms. Kees	Absent for the vote
	Secretary Layne	Absent for the vote
	Mr. Pleasant	Aye

Other Topics, Adjournment, and Next Meeting

The next meeting of the Finance and Audit Committee will be held on October 21, 2020 and will be an electronic Zoom meeting, exact time to be determined.

There being no further business, the meeting was adjourned at 2:11 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary