

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
March 6, 2024
1:30 p.m. – 2:30 p.m.

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

Welcome and Call to Order

The meeting was called to order at 1:30 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

Committee Members Absent: April Kees

In-Person Other Board Members: Carrie Chenery, Mimi Coles, Stephen Edwards, and Bill Hayter

Public Comment Period

Chair Harrell asked for public comments. There were none.

Approval of Minutes for 12.06.23 Meeting

Chair Harrell asked for approval of the minutes from the December 6, 2023, Committee meeting.

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

VEDP FY24 Financial Results (thru 12.31.2023)

Bob Grenell presented the quarterly financial results. Mr. Grenell said that VEDP is tracking spending against 50%. He shared that all VEDP divisions are at or below budget for the first six months of the fiscal year. Mr. Grenell said that spending is expected to increase for the market-facing divisions in the final two quarters of 2024.

Mr. Grenell explained that 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. He said that year-to-date spending through the second quarter includes \$1.8 million related to Virginia Business Ready Sites Program and \$1.1 million for the Brownfields Fund.

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

Audit Update

Chair Harrell introduced Chris Kalafatis and Randy Sherrod with FORVIS to provide a progress update on VEDP's audit function.

Mr. Sherrod spoke about recent audits of VEDP's International Trade and Real Estate Solutions divisions. He said that there were no findings for either of the audits. Mr. Sherrod expressed his appreciation for the efforts of both divisions in supporting the audit.

Mr. Kalafatis reviewed the VEDP Management Action Plan Tracker. He explained that one outstanding action item for the Research division has been closed since the Committee's last meeting and two outstanding action items for the Information Technology division are expected to be closed out by the Committee's June 2024 meeting.

Mr. Kalafatis said that two audits are currently underway, one for the Human Resources division and a limited-scope audit of the Information Technology (IT) division. He said these audit reports will be presented to the Committee at the June 2024 meeting.

Mr. Kalafatis announced that he will be leaving FORVIS to pursue a new career opportunity. He spoke about his time working with VEDP over the past 7 years fondly and said that VEDP will remain in good hands with his colleague Mr. Sherrod and the rest of the FORVIS team. The Committee thanked Mr. Kalafatis for his service and partnership over the years and offered him a round of applause.

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

IT Security Update

Chris 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 to close these items out by June 2024.

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. He said that the Nucleus program has nearly eliminated the backlog. He added that the total vulnerability trends show the effectiveness of VEDP's monthly patching cycle after each "Patch Tuesday."

Mr. Hughes said that VEDP is working closely with Assura on the roadmap to compliance with Virginia Information Technologies Agency's (VITA) SEC530 Security Standards and making great progress toward full compliance.

Chair Harrell asked about IT security training offered to VEDP employees. Mr. Hughes said that new employee orientation covers many IT security topics. He explained that in addition to onboarding, employees must complete a 30-minute mandatory security awareness training within the first 30 days of employment and then annually thereafter. Mr. El Koubi added that there are ongoing communications to employees via e-mail, during all-staff meetings, etc. on IT security topics.

Mr. Harrell thanked Mr. Hughes for his report.

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.

Intact Technology – Fairfax County has requested a 12-month extension for \$32,800 VJIP grant to provide more time for the company to reach its capital investment target. The company has already exceeded its jobs target. Intact Technology has experienced delays in the lease expansion process. Progress is being made and the company feels they will reach their pledged capital investment requirement if the extension is granted.

Compass Datacenters – Loudoun County has requested a second extension, this time for 18 months, for Data Center Retail Sales and Use Tax Exemption. The extension would provide more time for the company to reach its employment targets. The company has exceeded its capital investment target. The company reports that a backlog of computer equipment and peripherals delayed the company's timeline towards meeting pledged metrics with the first extension request. A second extension request will require review and approval by Virginia's Major Employment and Investment Project Approval Commission (MEI).

Ms. Lochte 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 shared an update on clawbacks and OAG referrals, which is summarized below:

- No new referrals to the Office of the Attorney General (OAG) since the last Committee meeting
- No COF clawbacks are past due as of February 2, 2024
- Three COF closeouts are in process
- Four clawbacks have been paid and closed out since December 7, 2023
- No VJIP clawbacks have been requested
- One data center clawback closeout is in process

The Committee engaged in a discussion about the process of verifying employment from various sources, including associated timelines in receiving this data.

Ms. Goodwin provided an update on the OVH data center project, currently subject to clawback. The Virginia Department of Taxation has determined that the company must repay the Commonwealth \$3 million.

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 (as of 12.31.2023)

Ms. Goodwin shared the Semi-annual Report on Incentive Performance and offered context on the data presented in the VEDP-Administered Incentives Dashboard. She explained that the report captures 7.5 years of data.

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

Other Topics, Next Meeting, and Adjournment

The next meeting of the Finance and Audit Committee will be held on June 12, 2024, exact time TBD. The meeting was adjourned at 2:12 p.m.

Respectfully submitted,

Nicole David
Acting Recording Secretary