



Skyline, Arlington

FINANCE AND AUDIT COMMITTEE

June 11, 2025

A G E N D A

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY MEETING OF THE FINANCE AND AUDIT COMMITTEE (FAC)

**June 11, 2025
1:30 P.M. to 2:30 P.M.**

**901 East Cary Street
James Center One, 9th Floor VEDP Board 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 3/5/25 FAC Meeting – Rick Harrell <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 1:35 p.m. – 1:45 p.m. | FY24 Financial Audit Report – Linda Wade, Auditor of Public Accounts <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 1:45 p.m. – 1:50 p.m. | VEDP FY25 Financial Results (thru 3/31/2025) – Bob Grenell <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 1:50 p.m. – 1:55 p.m. | Proposed VEDP FY26 Operating Budget – Bob Grenell <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 1:55 p.m. – 2:05 p.m. | Audit Update - Reports on M&C and VOOE Audits, and VEDP Management Action Plan Tracker – FORVIS <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 2:05 p.m. – 2:10 p.m. | Proposed FY26 Audit Plan, Risk Assessment – FORVIS, Stephanie Agee <ul style="list-style-type: none">▪ Action Item - Vote to Accept |
| 2:10 p.m. – 2:15 p.m. | Closed Session <ul style="list-style-type: none">▪ IT Security Update – Chris Hughes |
| 2:15 p.m. | Return to Open Meeting and Certification of Closed Meeting |
| 2:15 p.m. – 2:20 p.m. | Extension Requests – Katherine Goodwin <ul style="list-style-type: none">▪ Action Item - Vote to Recommend |
| 2:20 p.m. – 2:25 p.m. | Clawback Updates – Katherine Goodwin <ul style="list-style-type: none">▪ 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
March 5, 2025
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 1:35 p.m. by Chair Rick Harrell. A quorum was present.

In-person committee members: Rick Harrell, Pace Lochte, Secretary Caren Merrick, Will Sessoms, Steven Stone

Electronic committee members: Secretary Stephen Cummings, pursuant to § 2.2-3708.3(B)(4) (participating from outside of Richmond due to work obligations out of town), April Kees (participating from her office in Richmond due to conflicting meetings)

Absent committee members: None

Other committee members present: Mimi Coles, Stephen Edwards, Bill Hayter, John Hewa, Todd House, Connie Loughhead, Sonya Montgomery, Anne Oman, and Nick Rush

Public Comment Period

Chair Harrell solicited public comments. There were none.

Approval of Minutes for December 11, 2024, Meeting

Chair Harrell asked for approval of the minutes from the December 11, 2024, Committee meeting. Upon motion by Mr. Sessoms, seconded by Secretary Merrick, the minutes were unanimously approved.

VEDP FY24 Financial Results

Stephanie Agee, Chief Administrative Officer, presented the financial results for the three-month period ending December 31, 2024. All divisions are at or below budget at the end of the second quarter. Expenses are expected to rise in the second half of the fiscal year, as is typical.

Chair Harrell asked for acceptance of the VEDP FY24 Financial Results through December 31, 2024. Upon motion by Mr. Sessoms, seconded by Ms. Lochte, the financial results were unanimously accepted.

Audit Update

Diana Munoz-Scaggs with FORVIS Mazars, VEDP's audit firm, provided an update on internal audits since the December meeting. The audits of the Business Investments and Incentives were completed with no findings. One best practice recommendation was made for Incentives, which is in the process of being implemented. The Marketing Division and the Virginia Office of Education Economics will be audited in the next quarter.

IT Security Update

Chris Hughes, VP of Information Technology, provided a security update. The IT Department is in the midst of an Auditor of Public Accounts audit of security systems that he anticipates will be completed at the end of the month. Upcoming IT audits include a review of Microsoft 365 systems, public websites, and Virginia Office of Education Economics databases and dashboards.

Clawback Updates

Katherine Goodwin, Senior VP of Business Investment and Incentives, reported on clawback activity. A full copy of the report, summarized below, is available in the meeting materials:

- No COF clawbacks are past due as of January 31, 2025
- One COF clawback has been requested but is not yet past due as of January 31, 2025
- One COF clawback has been closed out since the December Board meeting
- Two COF closeouts are in process
- One past due COF clawback (Polycap) referred to the Office of the Attorney General for collection
- One past due VJIP clawback (Ison Furniture) has been referred to the Office of the Attorney General for collection
- One data center clawback has been closed out since the December Board meeting
- One data center closeout is in process

Chair Harrell asked for a motion to accept the clawback report. Upon motion by Mr. Sessoms, seconded by Ms. Lochte, the motion passed unanimously.

Semi-annual Report on Incentive Performance

Ms. Goodwin presented the semi-annual report on incentive performance as of December 31, 2024. A copy of the report is available in the meeting materials.

Chair Harrell asked for a motion to accept the semi-annual report on incentive performance. Upon motion by Mr. Sessoms, seconded by Secretary Merrick, the motion passed unanimously.

Internal Audit Function and Contract Scope

Ms. Agee provided an update on the internal auditor function and the scope of VEDP's current contract with FORVIS Mazars to provide those services. Mr. Harrell said that he would like to ask the Executive Committee, which is statutorily charged with overseeing the external audit function, to vote to allow him to propose refinements to the scope of the internal audit in light of current needs, and to make a recommendation to the Executive Committee as to the scope of the Fiscal Year 2026 audit. Members discussed a need to avoid duplication among the various audits undertaken of VEDP divisions and systems, and to ensure that the scope focuses on the areas with the highest risk.

Other Topics, Next Meeting, and Adjournment

The next meeting of the Finance and Audit Committee will be held on June 11, 2025. The meeting was adjourned at 2:05 p.m.

FY24 FINANCIAL AUDIT REPORT

June 11, 2025

CONTROLLER'S REPORT TO THE FINANCE AND AUDIT COMMITTEE

June 11, 2025

FY2025: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2025

| <u>Division</u> | <u>Budget</u> | <u>YTD Actual</u> | <u>% Spent 75%</u> |
|--------------------------------------|-------------------|-------------------|------------------------|
| Talent Accelerator Program | 14,752,500 | 5,645,220 | 38% |
| VOEE | 1,998,338 | 1,085,646 | 54% |
| RTSBO | 1,713,905 | 1,272,035 | 74% |
| International Trade | 11,949,576 | 8,720,091 | 73% |
| BI Project Management | 3,257,588 | 2,233,864 | 69% |
| Strategic Projects & Lead Generation | 3,403,859 | 2,452,002 | 72% |
| Innovative Framework Sector Teams | 3,591,620 | 2,590,537 | 72% |
| Research | 3,466,001 | 2,498,723 | 72% |
| Marketing and Communications | 4,656,724 | 3,388,956 | 73% |
| Economic Competitiveness | 1,441,038 | 1,034,747 | 72% |
| Real Estate Solutions | 1,591,617 | 1,135,705 | 71% |
| Information Technology | 1,471,726 | 1,099,213 | 75% |
| Incentives | 1,209,639 | 720,601 | 60% |
| Administration | 5,495,847 | 4,112,880 | 75% |
| Total VEDP Operations | 59,999,978 | 37,990,220 | 63% |
| Projects, Pass Thru's, and Grants | 8,171,679 | 1,931,538 | 24% |
| Total VEDP | 68,171,657 | 39,921,758 | 59% |

FY2025: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2025

- All divisions are at or below budget through the first nine months of the fiscal year.
- The Talent Accelerator Program budget includes \$5,182,500 in carryforward funds dedicated to projects that will be served over multiple years.
- The market-facing divisions (Talent Accelerator Program, International Trade, BI Project Management, Strategic Projects and Lead Generation, Innovative Framework Sector Teams, and Marketing and Communications) are under budget (60% combined). This spending rate is expected to increase as we move into the final quarter of FY25.
- The Projects, Pass Thru's and Grants budget includes \$3.7 million for the Virginia Business Ready Sites Development and Characterization programs, \$2.3 million for the Brownfields Restoration and Redevelopment Fund, and \$2.2 million for the Offshore Wind Supply Chain Development Program. Year-to-date spending through the third quarter includes \$1.1 million for the Brownfields Fund and \$0.8 million for the Virginia Business Ready Sites Program.

PROPOSED FY26 VEDP OPERATING BUDGET

PRESENTER



Bob Grenell

Controller, Fiscal & Support Services

bgrenell@vedp.org

804-545-5646

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY

Revenue Sources

| | <u>FY2026</u> | <u>FY2025</u> | <u>Change</u> |
|--------------------------------|-----------------------------|-----------------------------|----------------------------|
| Revenue | | | |
| COV General Fund Budgeted | \$ 61,552,091 | \$ 54,267,478 | \$ 7,284,613 |
| Obligated Carry Forward Funds | 11,330,742 | 12,404,179 | (1,073,437) |
| Participation and Mission Fees | 500,000 | 500,000 | - |
| Other Revenue | 1,000,000 | 1,000,000 | - |
| Total Revenue | <u>\$ 74,382,833</u> | <u>\$ 68,171,657</u> | <u>\$ 6,211,176</u> |

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY (CONT'D)

General Fund Budget Detail

| | <u>Amount</u> |
|--|-----------------------------|
| FY2026 General Fund Base Budget | \$ 52,951,862 |
| VOEE | 250,000 |
| Innovative Framework Sector Teams | 250,000 |
| Governor's Domestic and International Trade Missions | 500,000 |
| Central Appropriations Compensation | 1,600,229 |
| Virginia Talent Opportunity Partnership | 6,000,000 |
| FY2026 Operational Plan General Fund Budgeted | <u>\$ 61,552,091</u> |

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY (CONT'D)

General Fund Budget Detail

| | <u>Amount</u> |
|--|-----------------------------|
| FY2025 General Fund Base Budget | \$ 52,757,755 |
| Offshore Wind Supply Chain Development Program | (2,500,000) |
| VOEE | 1,250,000 |
| Innovative Framework Sector Teams | 1,000,000 |
| Central Appropriations Compensation | 994,723 |
| Talent Accelerator Program | (735,000) |
| Governor's Domestic and International Trade Missions | 500,000 |
| Virginia Business Ready Sites Program Administration | 500,000 |
| Taiwan Office | 300,000 |
| Cyber Security Initiatives | 200,000 |
| FY2025 Operational Plan General Fund Budgeted | <u>\$ 54,267,478</u> |

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY (CONT'D)

Carry Forward Budget Detail

FY2026 Budgeted Carry Forward deployed for:

Programmatic Commitments

| | |
|--|--------------|
| FY25 Talent Accelerator Funds Deployed in FY26 | \$ 5,182,500 |
| Virginia Business Ready Sites Program | 2,248,242 |
| Offshore Wind Supply Chain Development Program | 2,250,000 |

| | |
|---------------------------------------|---------------------|
| Total Programmatic Commitments | \$ 9,680,742 |
|---------------------------------------|---------------------|

Operational Commitments

| | |
|---|--------------|
| FY25 Division Operational Funds Deployed in FY26 Operations | \$ 1,650,000 |
|---|--------------|

| | |
|--------------------------------------|---------------------|
| Total Operational Commitments | \$ 1,650,000 |
|--------------------------------------|---------------------|

| | |
|--|----------------------------|
| Total FY2026 Carry Forward Funds Deployed | <u>\$11,330,742</u> |
|--|----------------------------|

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY (CONT'D)

Budgeted Expenditure Summary

| | FY26 | | FY25 | | \$ | % |
|---|---------------------|------------|---------------------|------------|------------------|-----------|
| | Dollars | Staff | Dollars | Staff | Change | Change |
| Division Budgets | | | | | | |
| Talent Accelerator Program | \$14,871,048 | 40 | \$14,752,500 | 40 | 118,548 | 1% |
| VOEE | 2,261,527 | 8 | 1,998,338 | 6 | 263,189 | 13% |
| RTSBO | 1,747,450 | 10 | 1,713,905 | 10 | 33,545 | 2% |
| International Trade | 12,051,264 | 30 | 11,949,576 | 30 | 101,688 | 1% |
| BI Project Management | 3,312,878 | 16 | 3,257,588 | 16 | 55,290 | 2% |
| Strategic Projects & Lead Generation | 3,444,183 | 16 | 3,403,859 | 16 | 40,324 | 1% |
| Innovative Framework Sector Teams | 3,912,871 | 20 | 3,591,620 | 19 | 321,251 | 9% |
| Research | 3,544,919 | 26 | 3,466,001 | 26 | 78,918 | 2% |
| Marketing & Communications | 4,703,966 | 16 | 4,656,724 | 16 | 47,242 | 1% |
| Economic Competitiveness | 1,472,676 | 9 | 1,441,038 | 9 | 31,638 | 2% |
| Real Estate Solutions | 1,614,788 | 9 | 1,591,617 | 9 | 23,171 | 1% |
| Information Technology | 1,500,082 | 9 | 1,471,726 | 9 | 28,356 | 2% |
| Incentives | 1,230,877 | 8 | 1,209,639 | 8 | 21,238 | 2% |
| Administration | 5,966,062 | 28 | 5,495,847 | 24 | 470,215 | 9% |
| Total Division Budgets | \$61,634,591 | 245 | \$59,999,978 | 238 | 1,634,613 | 3% |
| Pass Throughs, Grants and Projects | 12,748,242 | - | 8,171,679 | - | 4,576,563 | 56% |
| Total VEDP Budget | \$74,382,833 | 245 | \$68,171,657 | 238 | 6,211,176 | 9% |

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2026 BUDGET SUMMARY (CONT'D)

Budgeted Expenditure Detail

| Pass Throughs, Grants, and Projects | <u>FY2026</u> | <u>FY2025</u> |
|--|-----------------------------|----------------------------|
| Virginia Business Ready Sites Development and Characterization | \$ 2,248,242 | \$ 3,671,679 |
| Brownfields Restoration and Redevelopment Fund | 2,250,000 | 2,250,000 |
| Offshore Wind Supply Chain Development Program | 2,250,000 | 2,250,000 |
| Virginia Talent Opportunity Partnership | 6,000,000 | - |
| Total Pass Throughs, Grants, and Projects | <u>\$ 12,748,242</u> | <u>\$ 8,171,679</u> |



Virginia Economic Development Partnership

Audit Report – Marketing & Communications

May 21, 2025

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Confidential: This document is intended for VEDP and its Board, and it should not be distributed to third parties or used for any other purpose.

Executive Summary

We have completed an assessment of the controls over the Marketing & Communications (M&C) division at the Virginia Economic Development Partnership (VEDP). Our procedures did not identify any internal control design or operating deficiencies. However, we did identify a best practice recommendation related to Policy and Procedures.

Audit Report Rating

A satisfactory rating was assigned to this report based on the results of our work. The table below explains the possible ratings and the related rating definitions.¹

| Ratings | Rating Definitions |
|-------------------------------------|---|
| Satisfactory | Strong internal controls exist, and they are generally working as intended. No findings rated Critical, High, or Medium were noted. |
| Satisfactory with Exceptions | Audit area does not contain any findings rated Critical or High. However, some Medium-rated findings were noted that do require a commitment to correct by Management. |
| Improvement Required | Audit area contains findings rated High or Medium that, when aggregated, result in an elevated level of risk that requires timely attention and correction by management. |
| Unsatisfactory | Significant internal control weaknesses exist. The overall number/extent of control weaknesses represent unacceptable exposure and risk. |

Program Overview

The M&C division at VEDP is responsible for marketing the Commonwealth for business, including promoting VEDP and the Virginia brands, holding economic development events, and distributing external communications. Part of the external communications is routine social media posts about information relevant to VEDP stakeholders, and the quarterly Virginia Economic Review magazine. This magazine highlights the economic benefits that Virginia offers. M&C also works with the Governor of Virginia's administration to distribute press releases related to economic development in the Commonwealth.

¹ Audit ratings and definitions were agreed to by VEDP Leadership.

Finding Classifications

Our procedures did not identify any findings. However, we did identify a best practice recommendation related to policies and procedures. The table below explains the possible finding classifications and quantity. See the Recommendations and Management's Responses section for a detailed explanation of the recommendation.²

| Finding Classifications | Quantity |
|--|----------|
| Critical —Matter is urgent and requires immediate action by the Board of Directors and Executive Management. | 0 |
| High —Matter is a high priority that requires Executive Management's immediate attention and correction. | 0 |
| Medium —Matter is a priority that requires Executive Management's attention and a commitment to correct in a reasonable timeframe. | 0 |
| Low —Corrective action is necessary. These items represent infrequent errors or opportunities to improve internal controls or processes. | 0 |
| Best Practice —These items represent observations where there may not be an error, but controls or processes could be improved to better align with best practices. | 1 |

Objective

To assess the design and operating effectiveness of internal controls over the M&C Division of VEDP, identify control gaps, and provide recommendations for improvement.

Scope

Our scope included the current state of controls over the following activities:

- General Policies and Procedures
- Review of Press Releases for Style and Brand Guide
- Review of VEDP Magazine for Style and Brand Guide
- Review of Design Projects for Style and Brand Guide
- Made in Virginia Showcase Inventory Process
- Process for Events Tracking and Approval Process
- Inbound Consultant Tours Process
- Process for Marketing Projects Tracking and Review of Style and Brand Guide
- Social Media Post Review of Style and Brand Guide

² Finding classifications were agreed to by VEDP Leadership.

Our sample was based on a population of projects and documentation within the period of March 1, 2024, through February 28, 2025.

Approach

Our approach to the engagement included the following steps:

- Conducting an entrance conference with M&C leadership
- Defining key focus areas for review
- Obtaining the population within the audit period
- Generating a sample size
- Gathering the necessary documentation
- Testing documentation for compliance
- Documenting findings in a final report

Recommendations and Management's Responses

| BEST PRACTICE RECOMMENDATIONS | | | |
|-------------------------------|--|--|--|
| NUMBER | FINDING | RECOMMENDATION | MANAGEMENT'S RESPONSE |
| BP-01 | Based on communication with the M&C division, they review and update their policies and procedures regularly. However, they do not always document their reviews or updates on the policy and procedures document. | Whenever the M&C division reviews or updates its policies and procedures, they should document their review or updates by adding a revision or reviewed statement with a date. This will help the staff be sure they are following the most recent policy or procedure | The Marketing & Communications Division will include the date in the file name, as well as in the title of the document, for all processes moving forward. |



Virginia Economic Development Partnership

Audit Report – Virginia Office of Education Economics (VOEE)

May 20, 2025

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Confidential: This document is intended for management only and it should not be distributed to third parties or used for any other purpose.

Executive Summary

We have completed an assessment of the controls over the Virginia Office of Education Economics (VOEE) at the Virginia Economic Development Partnership (VEDP). Our procedures did not identify any internal control design deficiencies; however, we did identify a recommendation related to policies and procedures.

Audit Report Rating

An Improvement Required rating was assigned to this report based on the results of our work. The table below explains the possible ratings and the related rating definitions.¹

| Ratings | Rating Definitions |
|-------------------------------------|---|
| Satisfactory | Strong internal controls exist, and they are generally working as intended. No findings rated Critical, High, or Medium were noted. |
| Satisfactory with Exceptions | Audit area does not contain any findings rated Critical or High. However, some Medium rated findings were noted that do require a commitment to correct by Management. |
| Improvement Required | Audit area contains findings rated High or Medium that, when aggregated, result in an elevated level of risk that requires timely attention and correction by management. |
| Unsatisfactory | Significant internal control weaknesses exist. The overall number / extent of control weaknesses represents unacceptable exposure and risk. |

Program Overview

The Virginia Office of Education Economics (VOEE), founded in 2021, informs policy and practice at the intersection of education and workforce development. Utilizing comprehensive datasets, VOEE reports on the alignment of higher education with workforce needs and tracks emerging labor market trends across Virginia. As part of the Virginia Economic Development Partnership (VEDP), VOEE also supports the state's economic growth. To that end, the Office regularly supports stakeholder projects across the state with custom analyses and has developed several public, self-service dashboards that allow broader access to essential data. According to Section 2.2-2238 of the Code of Virginia of 1950, the office shall serve as a resource for education and workforce programs administered by state government to better inform programmatic decisions on workforce education and training. Additionally,

¹ Audit ratings and definitions were agreed to by VEDP Leadership.

the Office shall serve as a guide and resource for the Governor and the General Assembly in determining strategic education and workforce investments in current and future education and workforce training programs with a particular focus on those programs supported with state general fund dollars.

Finding Classifications

Our procedures identified one finding and a recommendation related to documenting meeting minutes and attendees. The table below explains the possible findings, classifications, and quantities. See the Recommendations and Management's Responses section for a detailed explanation of the recommendation.²

| Finding Classifications | Quantity |
|--|----------|
| Critical —Matter is urgent and requires immediate action by the Board of Directors and Executive Management. | 0 |
| High —Matter is a high priority that requires Executive Management's immediate attention and correction. | 1 |
| Medium —Matter is a priority that requires Executive Management's attention and a commitment to correct in a reasonable timeframe. | 0 |
| Low —Corrective action is necessary. These items represent infrequent errors or opportunities to improve internal controls or processes. | 0 |
| Best Practice —These items represent observations where there may not be an error, but controls or processes could be improved to better align with best practices. | 1 |

Objective

To assess the design and operating effectiveness of internal controls over VEDP's VOEE's office, identify control gaps, and provide recommendations for improvement.

Scope

Our scope included the current state of controls over the following activities:

- Policies and Procedures
- Collaboration with the Research Advisory Group
- Development of Annual Research Agenda
- Translation of data analysis to partners

² Finding classifications were agreed to by VEDP Leadership.

- Serving as a reliable source of information for policy development
- Identifying emerging trends in education and workforce development
- Collaboration with state agencies, educational institutions, and industry partners

Our sample was based on a population of projects with activity within the period March 1, 2024, through February 28, 2025.

Approach

Our approach to the engagement included the following steps:

- Conducting an entrance conference with VOEE leadership
- Defining key focus areas for review
- Obtaining the population within the audit period
- Generating a sample size
- Gathering the necessary documentation
- Testing documentation for compliance
- Documenting findings in a final report

Findings, Recommendations, and Management Responses

| FINDING | | | |
|---------------|---|---|---|
| NUMBER | FINDING | RECOMMENDATION | MANAGEMENT'S RESPONSE |
| H-01 | VOEE does not have any formal policies and procedures in place. | VOEE should develop clear, concise, and consistent policies and procedures using plain language to ensure ease of understanding and adherence. Policies should establish rules and standards, while procedures should provide step-by-step guidance. Both should be regularly reviewed and updated to reflect any changes. Additionally, VOEE should set a timeline for completion that aligns with the office's strategic goals. | VOEE agrees with this finding and has already begun defining and formalizing internal processes. VOEE will develop policies and procedures in line with other VEDP teams' documents. Once in place, VOEE will review them on an annual basis. Expected remediation date is August 2025. |
| BEST PRACTICE | | | |
| NUMBER | FINDING | RECOMMENDATION | MANAGEMENT'S RESPONSE |
| BP-01 | VOEE collaborates with its Research Advisory Group to develop and report an annual research agenda to the governor and General Assembly on or before June 30th of each year. Meeting minutes or notes, identifying who attended the Research Advisory Group meetings, topics discussed, and conclusions reached were not created and maintained. | VOEE should create and maintain meeting minutes or notes. The minutes or notes should identify who attended the Research Advisory Group meeting, topics discussed, and conclusions reached. This will allow action items to be documented and progress tracked. | VOEE appreciates this recommendation and will implement it beginning with the upcoming May 2025 Research Advisory Group meeting. Expected remediation date is May 2025. |

VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE JUNE 11, 2025 FAC MEETING

| AUDIT & FINDING NUMBER | FINDING | RECOMMENDATION | MANAGEMENT'S RESPONSES | DUE DATE | CURRENT STATUS |
|--|--|--|--|-----------|----------------|
| Incentives – BP-01 (Best Practice Recommendation) | <p>The Incentives Division verifies the performance metrics of companies receiving incentive funds administered by VEDP, prior to disbursing each payment. The verification is completed outside of Salesforce, the Division's system of record, to protect personal identifiable information. For the sample tested, the project team confirmed that the verification occurred prior to the payment issuance through a review of email chains and different hard copy forms kept in the project file.</p> <p>However, there was no specific date in Salesforce nor in the project file workpapers indicating exactly when the verification was completed.</p> | The Incentives Division should include a sign-off on the verification paperwork indicating the date when the verification was completed. Additionally, a field could be added in Salesforce to record the exact date that the performance metric verification was finalized. | The SVP of Incentives agreed with the recommendation and met with the VEDP Salesforce team to add a date field to capture when the verification is completed for VEDP-managed incentives. The Salesforce update should be completed by the end of February 2025. | 3/31/2025 | Completed |
| Marketing & Communications – BP-01 (Best Practice Recommendation) | Based on communication with the M&C division, they review and update their policies and procedures regularly. However, they do not always document their reviews or updates on the policy and procedures document. | Whenever the M&C division reviews or updates its policies and procedures, they should document their review or updates by adding a revision or reviewed statement with a date. This will help the staff be sure they are following the most recent policy or procedure. | The Marketing & Communications Division will include the date in the file name, as well as in the title of the document, for all processes moving forward. | 5/31/2026 | In-Progress |

VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE JUNE 11, 2025 FAC MEETING

| AUDIT & FINDING NUMBER | FINDING | RECOMMENDATION | MANAGEMENT'S RESPONSES | DUE DATE | CURRENT STATUS |
|--|---|---|---|-----------|----------------|
| VOEE – H-01 (Recommendation) | VOEE does not have any formal policies and procedures in place. | VOEE should develop clear, concise, and consistent policies and procedures using plain language to ensure ease of understanding and adherence. Policies should establish rules and standards, while procedures should provide step-by-step guidance. Both should be regularly reviewed and updated to reflect any changes. Additionally, VOEE should set a timeline for completion that aligns with the office's strategic goals. | VOEE agrees with this finding and has already begun defining and formalizing internal processes. VOEE will develop policies and procedures in line with other VEDP teams' documents. Once in place, VOEE will review them on an annual basis. The expected remediation date is August 2025. | 8/31/2025 | In-Progress |
| VOEE – BP-01 (Best Practice Recommendation) | VOEE collaborates with its Research Advisory Group to develop and report an annual research agenda to the governor and General Assembly on or before June 30th of each year. Meeting minutes or notes, identifying who attended the Research Advisory Group meetings, topics discussed, and conclusions reached were not created and maintained. | VOEE should create and maintain meeting minutes or notes. The minutes or notes should identify who attended the Research Advisory Group meeting, topics discussed, and conclusions reached. This will allow action items to be documented and progress tracked. | VOEE appreciates this recommendation and will implement it beginning with the upcoming May 2025 Research Advisory Group meeting. Expected remediation date is May 2025. | 5/31/2025 | In-Progress |



Internal Audit Risk Assessment Report FY26

June 2025

Objective and Scope

Objective

- Our objective was to complete the annual Virginia Economic Development Partnership (VEDP) internal audit risk assessment and develop the proposed internal audit plan for FY26.
- It is important to note that the risks identified in this report do not necessarily indicate known control weaknesses. Control weaknesses can only be determined after evaluating the design and operating effectiveness of controls intended to mitigate or manage risks.

Scope

- The scope of this risk assessment includes the process areas at VEDP and the related risks. The risk ratings by process area are documented in the Process Area Risk Table.

Approach

During our work, we collaborated with VEDP to perform the following procedures:

| <u>Phase 1</u> Discussed transition to process-focused risk assessment | <u>Phase 2</u> Created a survey and met with leadership to identify the highest process risks | <u>Phase 3</u> Performed an analysis of survey results and leadership interviews | <u>Phase 4</u> Established risk ratings and charted risk scores | <u>Phase 5</u> Drafted the proposed FY26 - Internal Audit Plan |
|--|---|--|--|--|
| We met with VEDP's Audit Committee and Leadership to explore transitioning from a functionally focused risk assessment to one centered on processes. | We developed a survey to gather insights on the most significant risks from division leaders and interviewed VEDP leadership to determine what they view as the highest process risks. Sent out 24 Surveys Interviewed four leaders | We considered and analyzed both the survey findings and insights from leadership interviews. | We assessed each process and assigned a risk score based on impact and likelihood, then ranked the results from highest to lowest. | We used the results of the risk assessment to develop a proposed internal audit plan for FY26. |

Risk Scoring Criteria

| Risk Scoring Criteria | | |
|-----------------------|--|---------------------------------|
| Score | Definition – Impact | Definition – Likelihood |
| 1 | Insignificant (Minor Costs and critical functions are not impaired) | Remote (0-10% Likely) |
| 2 | Low (Minor Costs with an inconvenient impact on critical business functions) | Unlikely (10-25%) |
| 3 | Moderate (Impaired critical business functions) | Possible (25-50%) |
| 4 | High (Inability to remain competitive or significant impact on strategic plan) | Likely (50-90%) |
| 5 | Major (Threats challenge the going concern status of the organization) | Probable (90-100%) |

Total Risk Score

To determine the total risk score, we averaged each process area's impact and likelihood scores and then summed the impact and likelihood.

| Process Area Risk Table | | | |
|-------------------------------|--------|------------|------------------|
| Process Area | Impact | Likelihood | Total Risk Score |
| Lead Generation | 3.75 | 2.75 | 6.50 |
| Governance | 3.75 | 2.70 | 6.45 |
| Talent Attraction & Retention | 3.25 | 3.11 | 6.36 |
| IT Security | 3.17 | 2.57 | 5.74 |
| Fiscal Processes | 3.80 | 1.80 | 5.60 |
| Incentives | 4.00 | 1.25 | 5.25 |
| Project Management | 3.00 | 1.67 | 4.67 |

Process Risk Description

Below is a description of each process area:

| Process Area | Process Area Description |
|-------------------------------|--|
| Lead Generation | Attracting businesses to Virginia and encouraging their expansion, which involves active marketing and business development activities. |
| Governance | A comprehensive review of the organization's governance framework, processes, and practices. Provides a valuable assessment of effectiveness and compliance with regulations, ethical standards, and best practices. |
| Talent Attraction & Retention | Attracting and retaining qualified candidates. Includes staff availability, succession planning, training, and the time it takes to onboard new hires. |
| IT Security | Safeguarding an organization's IT assets, including data, computer systems, networks, and devices, from unauthorized access, data breaches, cyberattacks, and other malicious activities. |
| Fiscal Processes | Managing financial operations, which includes, but limited to, the budget process, expense reimbursement, financial reporting, and payroll. |
| Incentives | The Commonwealth of Virginia offers an array of discretionary incentives for competitive projects evaluating a Virginia location, providing financial inducements that make good fiscal sense for all parties. |
| Project Management | A structured approach to planning, organizing, and managing resources to achieve specific goals within a defined timeframe and budget. |

FY25 Completed Audits and Assessments

During FY25 Forvis Mazars completed the following audits and assessments:

| Audits & Assessments | Date |
|--|------------|
| Business Investment | Jan 2025 |
| Incentives | April 2025 |
| Marketing and Communications | May 2025 |
| Virginia Office of Education Economics | May 2025 |
| Annual Risk Assessment | May 2025 |

FY26 Proposed Audits and Assessments

During FY26 Forvis Mazars proposes the following audits and assessments:

| Audits & Assessments | Fee | Potential Start Date |
|------------------------|-----------|----------------------|
| Lead Generation Audit | \$75,000 | December 2025 |
| Governance Audit | \$37,500 | August 2025 |
| Annual Risk Assessment | \$12,500 | April 2026 |
| Total | \$125,000 | |

Contact

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Accomack County

INCENTIVE-RELATED FAC MATERIALS

June 11, 2025

PRESENTER



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FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

EXTENSION REQUEST OVERVIEW

- The Code of Virginia § 2.2-115. (Commonwealth's Development Opportunity Fund, or COF) provides an option for the locality and Commonwealth to grant up to a 15-month extension of the performance date.
- Further, the Code of Virginia § 2.2-2237.3. (VEDP Division of Incentives) provides that an extension of the performance date may only be granted with the approval of the VEDP Board of Directors (VEDP Board); further, approval of both the VEDP Board and the MEI Project Approval Commission is required to grant any additional extensions.
- There is no fee associated with first extensions.
- VEDP's incentives policy provides that all subsequent extension requests submitted on or after October 25, 2018, require the company to pay a fee equal to five percent (5%) of the Commonwealth's part of the grant. This policy was revised in June 2023 to require the five percent (5%) fee to only be assessed on the outstanding portion of the COF grant that would be subject to repayment/proration as opposed to the entire grant amount. This fee will be waived in the event of force majeure and may be waived in other circumstances with the approval of the VEDP Board and the MEI Project Approval Commission.
- All extension requests require the support of the local government.

VERONESI – ROCKINGHAM COUNTY – 1ST EXTENSION

Summary:

- Manufacturer and processor of Italian cured meats
- \$3,816,800 COF grant and \$120,750 VJIP grant
- Governor approved: 7/14/2021
- Performance date: 6/30/2025
- New extension date requested: 9/30/2026
- Extension request received: 1/16/2025

Targets per the Performance Agreement:

- 161 new jobs @ \$38,416 over baseline of 0
- \$105,250,000 capital investment

Actual as of 12/31/2024:

- 37 new jobs (23%) @ \$69,927 (verified)
- \$50,000,000 (48%) (verified)

Request:

- Extend performance date by 15 months from 6/30/2025 to 9/30/2026

Rationale:

- Veronesi has experienced significant project delays, including issues with securing visas for its leadership team. Increased construction material costs and delayed material deliveries have also impacted the original project timeline.
- Phase 1 has been completed and operational since June 2023; construction is underway on the second phase, which is expected to be operational by September 2025.
- Additional capital investments of \$40.0 million are expected in the near term, and Veronesi expects to double its existing workforce by late 2026.
- A 15-month extension will allow the company to move closer to its performance metrics; it is not anticipated the full employment and investment metrics will be met.
- Rockingham County is fully supportive of a 15-month extension for the grant.
- The Commonwealth holds the majority of the COF grant, but there is minimal risk a repayment may be required should the company not meet the codified statutory minimums, which it has met to date.
- No additional extensions will be offered.
- In FY 2023, the company realized a converted (from Euros) net profit of \$61.0 million from \$4.5 billion in revenue, for a profit margin of 1.4%. This is a 60.7% increase over the company's converted net profit of \$38.0 million in FY 2022 and a 12.5% increase over the company's revenue of \$4.0 billion.
- Veronesi continues to be deemed a moderate-risk company due to lack of profitability in 2021.



Smith Mountain Lake
Bedford County

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

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

Clawbacks past due as of May 9, 2025

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

Clawbacks requested but not past due as of May 9, 2025

| Company | Locality | Clawback amount due (\$) | Notes | Clawback Previously Reported? | Announcement Date | Performance Date |
|-------------------|----------|--------------------------|--|-------------------------------|-------------------|------------------|
| Eastman Chemicals | Henry | 25,000 | Employment not maintained at the Subsequent Performance Date; prorated repayment of \$25,000 of \$50,000 grant requested 4/8/2025; due 7/8/2025. | No | 5/31/2017 | 11/1/2024 |
| Lighthouse Foods | Danville | 111,000 | Employment threshold not fully met; prorated repayment of \$111,000 of \$600,000 grant requested 5/6/2025; due 8/6/2025. | No | 5/23/2019 | 12/31/2024 |
| TOTAL | | 136,000 | | | | |

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Projects subject to clawback closed out since March 6, 2025

| Company | Locality | Clawback amount received (\$) | Notes | Clawback Previously Reported? | Announcement Date | Performance Date |
|---------|----------|-------------------------------|-------|-------------------------------|-------------------|------------------|
| None | | | | | | |
| TOTAL | | 0 | | | | |

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

| Company | Locality | Amount of grant (\$) | Status | Previously Reported? | Announcement Date | Performance Date |
|---------|----------|----------------------|--|----------------------|-------------------|------------------|
| ASGN | Henrico | 900,000 | Working with company to verify jobs created pay the required average wage. | Yes | 6/15/2020 | 12/31/2023 |
| PPD | Richmond | 151,952 | Awaiting capital investment documentation from the Richmond Commissioner of the Revenue. | No | 3/14/2022 | 12/31/2024 |
| TOTAL | | 1,051,952 | | | | |

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of May 9, 2025

| Company | Locality | Clawback amount due (\$) | Notes | Clawback Previously Reported? | Announcement Date | Performance Date |
|---------|----------|--------------------------|---|-------------------------------|-------------------|------------------|
| Polycap | Russell | 130,000 | Company abandoned facility; full repayment of \$130,000 requested 5/6/2024; due immediately. The VEDP Board, at its September 19, 2024, meeting, directed the Office of the Attorney General (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. | Yes | 4/11/2019 | 9/30/2023 |
| TOTAL | | 130,000 | | | | |



Beacon Theatre
City of Hopewell

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

PROGRESS REPORT ON VJIP PROJECTS SUBJECT TO CLAWBACK

Clawbacks past due as of May 9, 2025 – NONE

Clawbacks requested but not past due as of May 9, 2025 – NONE

Projects subject to clawback closed out since March 6, 2025 – NONE

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

Past due clawbacks referred to Office of the Attorney General as of May 9, 2025

| Company | Locality | Clawback amount due (\$) | Notes | Clawback Previously Reported? | Announcement Date | Performance Date |
|----------------|--------------|--------------------------|---|-------------------------------|-------------------|------------------|
| Ison Furniture | Pittsylvania | 18,200 | Company closed; capital investment statutory minimum not met; repayment of \$18,200 of \$105,000 grant requested 8/28/2024; due 11/28/2024; repayment not received. The VEDP Board, at its December 12, 2024, meeting, directed the Office of the Attorney General (OAG) to enforce collection of the clawback in accordance with § 2.2-2237.3.C. | Yes | 10/26/2020 | 8/7/2023 |
| TOTAL | | 18,200 | | | | |



City of Winchester

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers

PROGRESS REPORT ON DATA CENTER PROJECTS SUBJECT TO CLAWBACK

Clawbacks past due as of May 9, 2025 – NONE

Clawbacks requested but not past due as of May 9, 2025 – NONE

Projects subject to clawback closed out since March 6, 2025 – NONE

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

| Company | Locality | Clawback Amount Due (\$) | Status | Previously Reported? | Announcement Date | Performance Date |
|-----------------------|----------------|--------------------------|--|----------------------|-------------------|------------------|
| PointOne IX USA, Inc. | Virginia Beach | TBD | Company indicated that the statutory minimum capital investment of \$150 million and creation of 50 new jobs was not met even with an extension of the MOU; the client was notified of the clawback on the forgone sales tax on purchases made between December 12, 2019, and September 30, 2024. The client reported that as of June 30, 2024, it had received a benefit of \$263,400. The final value of the clawback must be determined by the Virginia Department of Taxation. | No | 12/12/2019 | 9/30/2024 |
| TOTAL | | TBD | | | | |

Past due clawbacks referred to Office of the Attorney General as of May 9, 2025 – NONE

TOPICS FOR NEXT MEETING

June 11, 2025