

A G E N D A

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

June 12, 2024

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 3/6/24 FAC Meeting** – Rick Harrell
- Action Item - Vote to Accept
- 1:35 p.m. – 1:45 p.m. **FY23 Financial Audit Report** – Linda Wade, Auditor of Public Accounts
- Action Item - Vote to Accept
- 1:45 p.m. – 1:50 p.m. **VEDP FY24 Financial Results (thru 3/31/2024)** – Bob Grenell
- Action Item - Vote to Accept
- 1:50 p.m. – 1:55 p.m. **Proposed VEDP FY25 Operating Budget** – Bob Grenell
- Action Item - Vote to Accept
- 1:55 p.m. – 2:10 p.m. **Audit Update - Reports on Human Resources and Limited Scope IT Audits, FY25 Risk Assessment and Audit Plan, and Open Audit Issues Status** – FORVIS
- Action Item - Vote to Accept
- 2:10 p.m. – 2:15 p.m. **IT Security Update** – Chris Hughes
- 2:15 p.m. – 2:20 p.m. **Extension Requests** – Katherine Goodwin
- Action Item - Vote to Recommend
- 2:20 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
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

FY23 FINANCIAL AUDIT REPORT

June 12, 2024



CONTROLLER'S REPORT TO THE FINANCE AND AUDIT COMMITTEE

June 12, 2024

FY2024: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2024

<u>Division</u>	<u>Budget Note (A)</u>	<u>YTD Actual</u>	<u>% Spent 75%</u>
Talent Solutions (Note B)	19,698,482	7,007,816	36%
International Trade (Note C)	11,823,610	7,458,757	63%
Business Investment	8,547,541	5,705,029	67%
Research	3,375,513	2,533,166	75%
Marketing and Communications (Note C)	4,606,390	3,025,895	66%
Economic Competitiveness	1,406,251	1,043,880	74%
Real Estate Solutions (Note D)	1,537,477	683,382	44%
Information Technology	1,239,553	929,665	75%
Incentives	1,187,018	756,981	64%
Administration	5,383,742	4,046,806	75%
Total VEDP Operations	58,805,577	33,191,377	56%
Projects, Pass Thru's, and Grants	12,758,266	5,658,107	44%
Total VEDP	71,563,843	38,849,484	54%

FY2024: OPERATIONS BUDGET TO ACTUAL FOR THE NINE MONTHS ENDED MARCH 31, 2024

- A. VEDP's budget is generally back-loaded with the largest amount of spending occurring in the fourth quarter of each fiscal year. We anticipate this trend will continue this fiscal year.
- B. Talent Solutions budget includes \$17,166,658 for the Talent Accelerator Program, \$1,675,646 for Regional Talent Solutions and Business Outreach, and \$856,178 for VOOE.

The Talent Accelerator Program budget includes carry forward dedicated dollars for specific projects that are still ramping up, as well as funding received for the Blue Star project that we would recommend repurposing to reimburse Wythe County for some of the infrastructure improvements they made related to Blue Star.

The Total VEDP Operations percent spent compared to budget excluding the Talent Accelerator Program for the nine months ended March 31st is 68%.

- C. International Trade and Marketing and Communications historically spend the largest amount of their annual budgets in the fourth quarter of each fiscal year. We expect this trend to continue in the fourth quarter of FY24.
- D. Real Estate Solutions budget includes a \$450,000 contract with KPMG related to Virginia Business Ready Sites Program support that will be paid in the fourth quarter of FY24.

WORKING DRAFT

FY25 OPERATIONAL PLAN APPENDIX

WORKING DRAFT

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025 BUDGET SUMMARY

Revenue Sources

	<u>FY2025</u>	<u>FY2024</u>	<u>Change</u>
Revenue			
COV General Fund Budgeted	\$ 54,267,478	\$ 53,257,755	\$ 1,009,723
Obligated Carry Forward Funds	12,404,179	17,039,688	(4,635,509)
Participation and Mission Fees	500,000	500,000	-
Other Revenue	1,000,000	1,000,000	-
Total Revenue	<u>\$ 68,171,657</u>	<u>\$ 71,797,443</u>	<u>\$ (3,625,786)</u>

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
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	\$ 54,267,478

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
BUDGET SUMMARY (CONT'D)**

General Fund Budget Detail

	<u>Amount</u>
FY2024 General Fund Base Budget	\$ 48,504,192
Offshore Wind Supply Chain Development Program	2,500,000
Central Appropriations Compensation	1,944,963
Governor's Domestic and International Trade Missions	500,000
VOEE	233,600
Talent Accelerator Program	175,000
Economic Development Studies	(600,000)
	<hr/>
FY2024 Operational Plan General Fund Budgeted	<u><u>\$ 53,257,755</u></u>

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
BUDGET SUMMARY (CONT'D)**

Carry Forward Budget Detail

FY2025 Budgeted Carry Forward deployed for:

Programmatic Commitments

FY24 Talent Accelerator Funds Deployed in FY25	\$ 5,182,500
Virginia Business Ready Sites Program	3,671,679
Offshore Wind Supply Chain Development Program	2,250,000

Total Programmatic Commitments \$11,104,179

Operational Commitments

FY24 Division Operational Funds Deployed in FY25 Operations	\$ 1,300,000
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Total Operational Commitments \$ 1,300,000

Total FY2025 Carry Forward Funds Deployed \$12,404,179

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
BUDGET SUMMARY (CONT'D)**

Budgeted Expenditure Summary

	FY25		FY24		\$	%
	Dollars	Staff	Dollars	Staff	Change	Change
Division Budgets						
Talent Solutions (Note A)	\$ 18,464,743	55	\$ 19,932,082	49	(1,467,339)	-7%
International Trade	11,949,576	30	11,823,610	30	125,966	1%
BI Project Management	3,257,588	17	3,194,966	17	62,622	2%
Strategic Projects & Lead Generation	3,403,859	16	3,352,575	16	51,284	2%
Innovative Framework Sector Teams	3,591,620	19	2,000,000	15	1,591,620	80%
Research	3,466,001	25	3,375,513	25	90,488	3%
Marketing & Communications	4,656,724	14	4,606,390	14	50,334	1%
Economic Competitiveness	1,441,038	9	1,406,251	9	34,787	2%
Real Estate Solutions	1,591,617	8	1,537,477	6	54,140	4%
Information Technology	1,471,726	9	1,239,553	9	232,173	19%
Incentives	1,209,639	8	1,187,018	8	22,621	2%
Administration	5,495,847	24	5,383,742	24	112,105	2%
Total Division Budgets	✓ \$59,999,978	✓ 234	✓ \$59,039,177	✓ 222	960,801	2%
Pass Throughs, Grants and Projects	8,171,679	-	12,758,266	-	(4,586,587)	-36%
Total VEDP Budget	✓ \$68,171,657	✓ 234	✓ \$71,797,443	✓ 222	✓ (3,625,786)	-5%

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
BUDGET SUMMARY (CONT'D)**

- A. Talent Solutions FY24 budget includes \$14,752,500 for the Talent Accelerator Program, \$1,713,905 for Regional Talent Solutions and Business Outreach, and \$1,998,338 for VOEE.

WORKING DRAFT

**VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP FY2025
BUDGET SUMMARY (CONT'D)**

Budgeted Expenditure Detail

Pass Throughs, Grants, and Projects	<u>FY2025</u>	<u>FY2024</u>
Virginia Business Ready Sites Development and Characterization	\$ 3,671,679	\$ 8,008,266
Brownfields Restoration and Redevelopment Fund	2,250,000	2,250,000
Offshore Wind Supply Chain Development Program	2,250,000	2,500,000
Total Pass Throughs, Grants, and Projects	<u>\$ 8,171,679</u>	<u>\$ 12,758,266</u>



Virginia Economic Development Partnership
Audit Report – Human Resources

June 5, 2024

Table of Contents

Executive Summary	2
Program Overview	3
Objective and Scope	3
Findings, Recommendations, and Management's Responses.....	5

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 Human Resources (HR) Division at the Virginia Economic Development Partnership (VEDP). Based on our procedures, we identified one finding related to performance evaluations not completed timely and one best practice recommendation related to the level of staffing for the HR Division.

Audit Rating

Satisfactory with Exceptions 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 require timely attention and correction by management.
Unsatisfactory	Significant internal control weaknesses exist. The overall number / extent of control weaknesses represents unacceptable exposure and risk.

Finding Classifications

Our work identified two findings, one finding was classified as medium and the other finding was classified as best practice. The table below explains the possible finding classifications and quantity. See the Findings, Recommendations, and Management's Responses section for a detailed explanation of the findings.²

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

² Finding classifications were agreed to by VEDP Leadership.

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.	1
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

Program Overview

The HR Division is a support function that manages employee resources and workforce related activities for VEDP and the Virginia Tourism Corporation (VTC) (except for on-boarding and training, which are handled by VTC directly). The HR Division is led by the HR Director and is comprised of three other staff members and one temporary worker.

Some of the primary job responsibilities of the HR Division include:

- Recruiting VEDP talent and, managing the hiring process and on-boarding of new employees
- Performing background checks on applicable employees
- Conducting HR related training to VEDP staff and developing a career path plan
- Ensuring that job descriptions are completed and reviewed annually
- Ensuring that performance evaluations are completed annually
- Ensuring that employee terminations are sufficiently documented

Employee benefits are managed through the Virginia Department of Human Resources Management (DHRM), and payroll changes are completed by VEDP’s Fiscal & Support Services Division. As a result, both benefits and payroll were not included in the scope of this HR audit. Payroll changes will be tested during the Fiscal & Support Services audit.

Objective, Scope, and Approach

The objective of this assessment is to assist VEDP in evaluating the processes and controls over its HR Division for design and operating effectiveness, identify control gaps and to provide recommendations for improvement.

The scope includes:

Assessing internal controls over the HR Division's processes for design and operating effectiveness during the period of 7/1/2022 through 12/31/2023.

The following activities were included in the scope:

- Policies and procedures
- Processes over hiring new employees, reviewing and completing job descriptions, onboarding, and employee termination practices
- Background checks for applicable new hires
- Documentation of career pathing / development programs and employee training
- Completion of employee performance evaluations and supervisor accountability
- Diversity and inclusion
- Evaluation of the current HR staffing ratio compared to industry standards

The approach includes:

- Interviewing process owners to gain an understanding of the current processes and controls
- Documenting our understanding of the processes and controls and validate it with the process owners
- Assessing the design of controls
- Identifying control gaps
- Assessing the operational effectiveness of controls
- Identifying control deficiencies and recommendations for improvement
- Reporting results

Findings, Recommendations, and Management’s Responses

LOW RATED FINDINGS				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT’S RESPONSE	EXPECTED REMEDIATION DATE
M-01	<p>Seven of 25 (28%) performance evaluations sampled were not completed by the due date. We noted the following issues:</p> <ul style="list-style-type: none"> • Five VEDP and one VTC performance evaluations were completed after the due date, with the date of completion ranging from one to four months after the due date. • One VEDP performance evaluation was completed outside the system of record and did not have a date. As a result, we were unable to determine if it was completed timely. 	<p>The HR Division, with the support of Executive Management, should hold VEDP Division Leaders accountable for completing employee’s performance evaluations by the due date and according to policy. All performance evaluations should be documented timely within the system of record and communicated to employees to ensure that VEDP employees receive timely feedback.</p>	<p>VEDP concurs with this finding and will take action to address it. HR will create a document for division leaders to track the status of evaluations for each staff member. This will be sent to division leaders on a weekly basis during the performance evaluation and position description review period (July – September). HR will work with the CEO and CAO to ensure that all evaluations are completed by September 30 each year.</p>	August 2024
BEST PRACTICE RECOMMENDATIONS				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT’S RESPONSE	

BP-01	<p>According to the <i>2022 Human Capital Benchmark Report</i>, issued by the Society for Human Resource Management (SHRM), the average HR-to-employee ratio for a government organization the size of VEDP is 1.5 per 100 workers. As of the date of our audit, VEDP had 208 employees and VTC 124, for a total of 332 employees supported by the current HR Division. Based on this information, the HR division should have at least five employees $((332/100)*1.5)$ to fully support the needs of VEDP and VTC employees. Currently, the HR Division is made up of four FTEs and one temporary worker.</p>	<p>The HR Division and VEDP Executive Management should evaluate the need to hire a fifth employee to fully staff the HR Division to the latest industry standards and to ensure they have the capacity to fully support all VEDP and VTC employees as the agency continues to grow.</p>	<p>VEDP appreciates this recommendation and will take it under advisement. We will evaluate the current staffing levels and additional capacity requirements within the HR division given the organization's growth in recent years.</p>
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Virginia Economic Development Partnership

Audit Report – Information Technology Division

June 3, 2024

Table of Contents

Executive Summary 2

Overview of the Information Technology Division..... 3

Objective and Scope 3

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 a limited-scope assessment of the Virginia Economic Development Partnership (VEDP) Information Technology (IT) Division's progress made in addressing the Fiscal Year (FY) 2023 Auditor of Public Accounts (APA) Audit Findings:

- MP-1: Improve Information Security Program and IT Governance, and
- MP-2: Improve Service Provider Oversight.

Based on our procedures, we identified no findings with current efforts completed to date. Corrective action plan initiatives around Information Security Officer Designation, Vulnerability Management, and IT Security Audits have been implemented. Corrective action plan initiatives around IT Standards, Policies, and Procedures, IT Risk Management and Contingency Planning, Technology Versions, and Vendor Management and IT Provider oversight are currently in progress and targeted to be completed by either the fourth quarter of 2024 (Q4 2024), or the first quarter of 2025 (Q1 2025).

Audit Rating: Satisfactory

A "Satisfactory" rating, as defined below, was assigned based on the results of this assessment.

Ratings:	Rating Definitions:
<i>Satisfactory</i>	Strong internal controls exist, and they are generally working as intended. No findings rated Critical, High, or Medium were noted.
<i>Satisfactory with Exceptions</i>	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.
<i>Improvement Required</i>	Audit area contains findings rated High or Medium that, when aggregated, result in an elevated level of risk that require timely attention and correction by management.
<i>Unsatisfactory</i>	Significant internal control weaknesses exist. The overall number / extent of control weaknesses represents unacceptable exposure and risk.

Overview of the Information Technology Division

The IT Division provides support to both VEDP and the Virginia Tourism Corporation (VTC). The IT Division is responsible for the planning, security, and operation of all network infrastructure components and cloud applications. It is also responsible for supporting VEDP's three public websites (VEDP.org, ExportVirginia.org, VOEE.org) and other applications that are critical to the economic development marketing process. Other key functions the IT Division is responsible for include:

- Providing IT communications to Executive Management and VEDP / VTC personnel, as needed.
- Maintaining the operations and information infrastructure to support and fulfill VEDP's mission.
- Maintaining data exchange operations with VEDP's partners.
- Providing technical support and connectivity to the network and conference rooms for VEDP employees.
- Maintaining information security program and provide security awareness training.

Objective

The objective of this limited scope IT assessment was to assess VEDP's progress regarding the completion of corrective active plans for the FY 2023 APA Audit Findings (MP-1 Improve Information Security Program and IT Governance and MP-2 Improve Service Provider Oversight), and to provide any recommendations for improvement.

Scope

Our scope included the following activities and our testing period was April 1, 2023 - March 31, 2024:

- Information Security Officer Designation (APA Audit Finding MP-1)
- IT Standard, Policies, and Procedures (APA Audit Finding MP-1)
- IT Risk Management and Contingency Planning (APA Audit Finding MP-1)
- Vulnerability Management (APA Audit Finding MP-1)
- IT Security Audits (APA Audit Finding MP-1)
- Technology Versions (APA Audit Finding MP-1)
- Vendor Management and IT Provider Oversight (APA Audit Finding MP-2)

Approach

Our audit approach included the following:

- We conducted interviews and walkthroughs with IT management and process owners to understand the current processes, tools, control activities, and corrective action measures implemented by VEDP to address APA Audit Findings MP-1 and MP-2, to date.
- Documenting our understanding of the processes and controls and validating them with IT management and process owners
- Obtaining and inspecting copies of documentation to support implementation of corrective action measures completed to address APA Audit Findings MP-1 and MP-2.
- Assessing the design of controls implemented to address corrective action plan measures for APA Audit Findings MP-1 and MP-2, to date.
- Identifying potential control gaps, deficiencies, and recommendations for improvement for any corrective action measures completed, that may not fully address the recommendations provided for APA Audit Findings MP-1 and MP-2.
- Reporting results to VEDP Executive and IT management stakeholders.

We cannot guarantee that a third party would agree with our analysis or that this internal audit identified all issues that may exist or become apparent in the future.

Note: The Findings and Recommendations table was omitted from this report since no findings and recommendations were issued.



Virginia Economic Development Partnership

Audit Risk Assessment for FY25

May 31, 2024

Table of Contents

Objective, Scope, and Procedures	2
Proposed Audit Plan	6
Appendix A: Functional Area Potential Risks	8

Confidential: The use of this document is intended solely for internal purposes by the management of **VEDP** and should not be distributed to third parties or used for any other purposes unless specified by law.

Objective, Scope, and Procedures

Objective:

Our objective was to complete the annual Virginia Economic Development Partnership (VEDP) audit risk assessment and develop the audit plan for FY25.

It is important to note that the potential 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.

Scope:

The scope of this risk assessment is the audit universe at VEDP. The audit universe is made up of the functional, auditable areas at VEDP and the related risks. The completeness of the audit universe was evaluated during the Information Gathering steps outlined in the Procedures below, and four work units which are new to the agency were included in the audit universe for FY25. The audit universe is documented below in the Summary Risk Rating table and in Appendix A: Functional Area Potential Risks.

Procedures:

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

Information Gathering

1. We obtained and reviewed:
 - VEDP's Organizational Chart
 - VEDP's Operational Plan
 - Various VEDP Policies and Procedures
 - Recent external audits of VEDP performed by the Auditor of Public Accounts (APA)
 - Other documentation specific to individual VEDP functional areas
2. We performed approximately 20 interviews or surveys, which included the following:
 - The Chair of VEDP's Board of Directors
 - The Chair of the Finance and Audit Committee (FAC) of VEDP's Board of Directors
 - The VEDP Executive President and CEO
 - The leaders from each VEDP functional area

Perform Risk Assessment and Identify the Audit Universe

For each functional area, we identified key processes and evaluated their associated risks based on the information we gathered. While doing our work we considered the following table that outlines examples of risks that could fall in each Risk Level Category (High, Medium or Low).

RISK LEVEL	EXAMPLES
High	<ul style="list-style-type: none"> * Events may result in significant non-compliance with legal / regulatory requirements. * Events may result in significant concerns with the accuracy of financial reporting. * Events may result in sustained or serious loss of earnings, cash flow or credit. * Events may create significant opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting. * Significant reliance on technology exists, and sufficient automation does not exist. * Key operational processes are not mature or properly monitored / controlled. * Significant issues remain unresolved from previous audits. * Key personnel resources do not exist or are not competent. * An issue materializing is probable and requires Board attention and Senior Management action. * Volume of transactions is significant. * Dollar amount of transactions is significant. * Events may result in significant adverse publicity or serious loss in brand value. * Events may have significant negative impact on the accomplishment of the Operating / Strategic Plan.
Medium	<ul style="list-style-type: none"> * Events may result in a moderate level of non-compliance with legal / regulatory requirements. * Events may result in some concerns with the accuracy of financial reporting. * Events may result in some loss of earnings, cash flow or credit. * Events may create some opportunity for fraud, such as misappropriation of assets or fraudulent financial reporting. * Moderate amount of reliance on technology exists, and automation needs improvement. * Some operational processes are not mature or properly monitored / controlled. * Issues that remain unresolved from previous audits are not significant but need attention. * Some personnel resources may not exist or are not competent. * An issue materializing is possible and requires Senior Management attention and Middle Management action. * Volume of transactions is moderate. * Dollar amount of transactions is moderate. * Events may result in moderate adverse publicity or moderate loss in brand value. * Events may have moderate negative impact on the accomplishment of the Operating / Strategic Plan.

RISK LEVEL	EXAMPLES
Low	<ul style="list-style-type: none"> * Events are unlikely to result in non-compliance with legal / regulatory requirements. * Events are unlikely to impact the accuracy of financial reporting. * Events may result in minimal or no loss of earnings, cash flow or credit. * Events are unlikely to create opportunities for fraud, such as misappropriation of assets or fraudulent financial reporting. * Minimal reliance on technology exists, and sufficient automation exists. * Operational processes are sufficient and properly monitored / controlled. * Issues from previous audits are resolved or are minor. * Personnel resources are sufficient in number and are competent. * An issue materializing is unlikely and can be resolved by Middle Management * Volume of transactions is minor. * Dollar amount of transactions is minor. * Events may result in minimal impact on publicity or brand value. * Events may have minimal negative impact on the accomplishment of the Operating / Strategic Plan.

Our risk ratings for audit risk were judgmentally assigned from “High” to “Low” based on the type and number of findings identified during prior audits by FORVIS or the APA. Since the Logistics, Manufacturing, Knowledge Work, Strategic Projects and Lead Generation, and Deal Support Divisions are new functional areas and have not been audited, we rated them as medium.

Also included for each functional area is a list of potential risks (see Appendix A: Functional Area Potential Risks section) we identified during our information gathering and communications with VEDP management and the Board. In total, we identified over 200 potential risks across all the functional areas (audit universe). However, these listings are not intended to be all-inclusive.

The following Summary Risk Ratings table depicts our summary risk ratings for each functional area, which are based on the risk rating of the eight risk categories. These individual risk categories are assigned 3 points if rated “High” (Red highlight), 2 points if rated “Medium” (Yellow highlight), and 1 point if rated “Low” (Green highlight). The points for each of the eight risk categories were totaled, based on the Risk Level and associated rating point scale, to determine the risk rating for each functional area.

Summary Risk Ratings:

High (20 - 24points)
Medium (15 - 19 points)
Low (8 - 14 points)

Functional Area	Compliance	Financial	Fraud	Technology	Operational	Reputation	Strategic	Audit	Numerical Risk Total
Information Technology	3	2	2	3	3	3	3	3	22
Business Investment	2	3	2	3	3	3	3	2	21
Virginia Talent Accelerator Program	3	3	2	2	3	3	3	2	21
Incentives	3	3	2	2	3	3	3	1	20
Regional Talent Solutions and Business Outreach (RTSBO)	3	3	2	2	3	3	3	1	20
<i>Deal Support *</i>	2	2	2	2	2	3	3	3	19
Human Resources	3	2	2	2	3	3	2	2	19
<i>Logistics, Manufacturing, Knowledge Work *</i>	2	2	2	2	2	3	3	3	19
Real Estate Solutions	2	3	2	2	3	3	3	1	19
<i>Strategic Projects and Lead Generation *</i>	2	2	2	2	2	3	3	3	19
International Trade	2	2	2	2	3	3	3	1	18
Research	2	2	2	3	3	2	2	2	18
Virginia Office of Education Economics	3	2	1	3	2	2	2	3	18
Marketing and Communications	1	2	2	2	3	3	3	1	17
External Affairs	3	2	1	1	1	3	2	1	14
Economic Competitiveness	1	1	1	2	3	2	2	1	13
Fiscal & Support Services	2	3	2	1	1	1	1	1	12
General Counsel	3	1	1	1	1	3	1	1	12

* Audit risk for the new sector teams (Logistics, Manufacturing, Knowledge Work, Deal Support, and Strategic Projects and Lead Generation) were rated “Medium” since these functions are new and have not been audited.

Develop the FY25 Proposed Audit Plan

After performing the risk assessment, identifying potential risks in the audit universe, and consulting with VEDP, we drafted the Proposed FY25 through FY26-29 Audit Plan. The Audit Plan is a tool to help VEDP make business risk decisions. However, VEDP management, in consultation with the Board, are responsible for determining the timing and extent of audit coverage based on their risk appetite and the number of resources they want to devote to the audit process.

Proposed Audit Plan

The following table depicts the Proposed FY25 through FY29 Audit Plan (Plan) for VEDP Management and the Board. The Plan includes four audits per fiscal year, follow-up on management action plans that may result from findings issued during these audits, and the completion of the annual risk assessment. These are routine tasks that exist for any audit function.

The extent of audit coverage for FY25 through FY29 will be determined by VEDP Management and the Board based on the resources they want to leverage for the internal audit function.

Proposed Audit Plan

Functional Area	Numerical Risk Total	Last Audit Date & Results		5 Year Plan				
		Report Date	# of Findings	FY25	FY26	FY27	FY28	FY29
Information Technology	22	5/25/23	2-M, 3-L			X		
Business Investment	21	1/5/2021	3-L	X				X
Virginia Talent Accelerator Program	21	4/1/2022	1-M, 1-L		X			X
Incentives	20	4/16/2020	1-L	X				
Regional Talent Solutions and Business Outreach (RTSBO)	20	12/13/2022	0			X		
Deal Support	19	New in FY24	-			X		
Human Resources	19	June 2024	1-M				X	
Logistics, Manufacturing, Knowledge Work	19	New in FY24	-		X			
Real Estate Solutions	19	1/25/2024	0				X	
Strategic Projects and Lead Generation	19	New in FY24	-		X			
International Trade	18	1/5/2024	0				X	
Research	18	6/2/2023	3-L			X		
Virginia Office of Education Economics	18	New in FY24	-	X				
Marketing and Communications	17	4/15/2021	1-L	X				
External Affairs	14	12/17/2021	0		X			
Economic Competitiveness	13	1/19/2023	1-L					X
Fiscal & Support Services	12	4/1/2022	1-L				X	
General Counsel	12	12/13/2021	1-L					X
Annual - Risk Assessment	N/A	N/A	N/A	X	X	X	X	X
Annual - Action Plan Follow-up	N/A	N/A	N/A	X	X	X	X	X

Appendix A: Functional Area Potential Risks

This section includes potential risks for each functional area that were identified during our information gathering and communications with VEDP management and the Board. These potential risks do not necessarily point to known control weaknesses since testing would have to be performed to determine the controls that exist and how these risks are managed. These risks will be evaluated in our audits.

Functional Area – Information Technology (High Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Automation of business processes
- Impact of technology on successful implementation of the Operating / Strategic Plan
- IT vendor risk management (SOC reports)
- Cybersecurity strategy and practices
- Overall IT governance strategy
- Disaster recovery / business continuity / incident response
- Granting and terminating access to systems / applications /periodic user access review
- System and application oversight / support
- Software licensing reviews
- Change control process for new technology or enhancements to current technology
- SharePoint and other internal communication mechanisms
- Data usage / storage space capacity
- System integrity controls over data entry and reporting
- Segregation of duties and principle of least privilege controls within IT systems
- Classification and identification of sensitive data within IT systems
- Risk assessments for IT systems
- Employee IT training (security, data privacy, etc.)
- Compliance with VITA technology policies
- Virginia Tourism Corporation assistance
- Succession planning

Functional Area – Business Investment (High Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Project documentation (timely, accurate, complete, etc.)
- Project management
- International contractor management
- Collaboration with external stakeholders
- Confidentiality of company information and conflict of interest management
- External stakeholder feedback mechanisms
- Type and location of customers targeted
- Administration of business ready laws
- Cross divisional discussion about trade show success/issues

Functional Area – Virginia Talent Accelerator Program (High Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client needs and training analysis (consulting services)
- Client eligibility
- Project budgeting / approval
- Marketing presentations
- Client assistance (communication, frequency, etc.)
- Program funding
- Client letters (incentives, commitment, retraining, etc.)
- System integrity controls over data entry and reporting in Salesforce
- Project management / documentation
- Press releases
- Data collection / documentation standards
- Custom workforce program development
- Confidentiality of client information

Functional Area – Incentives (High Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Due diligence on companies
- Incentives structuring (ROI analysis, etc.)
- Project Review and Credit Committee assistance
- Incentive management and program compliance – reporting / monitoring of job creation, wages paid, capital expenditures, etc. (during and after performance period)
- VJIP client and grant reimbursements
- Project Review and Credit Committee approval
- Claw back provisions
- Adherence to performance extensions
- System integrity controls over data entry and reporting in Salesforce
- Business ready sites program

Functional Area – Regional Talent Solutions and Business Outreach (High Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- VJIP client needs and training analysis (talent consulting services)
- VJIP client eligibility
- VJIP project budgeting / approval
- VJIP client reimbursement requests (data validation / reconciliation with VA Employment Commission, duplicate payments, sufficiency of documentation, legitimacy of business, etc.)
- VJIP grant reimbursement (eligibility, timeliness, accuracy, etc.)
- Talent marketing presentations
- Client assistance (communication, frequency, etc.)
- VJIP related Workforce Development Reports
- VJIP program funding
- Client letters (incentives, commitment, retraining, etc.)
- System integrity controls over data entry and reporting in Salesforce
- VJIP project management (communication, frequency, documentation, etc.)
- Data collection / documentation standards
- Confidentiality of client information
- Business outreach visit execution (communication, follow-up, etc.)
- Economic Gardening program

Functional Area – Deal Support (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Supporting lead generation strategy and planning
- Outreach center (scripting, metrics, lead generation, etc.)
- Quality assurance for written communications.
- Collaboration with internal stakeholders for Governor’s Call program
- Creating contact list for trade shows
- Confidentiality of company information and conflict of interest management
- Feedback from campaign surveys and Governor’s Call Program

Functional Area – Human Resources (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Diversity program
- Performance evaluation process and calibration
- Rewards and recognition program
- Job descriptions / employee work profiles
- New hire orientation programs / onboarding
- Recruiting / hiring practices
- Termination processing
- Fiscal related payroll assistance
- Background checks
- Benefits administration
- Overtime
- Career pathing
- Teleworking
- Human resource information / management system
- Virginia Tourism Corporation assistance

Functional Area – Logistics (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Strategy development and execution
- Lead Generation strategy / plan for targeting companies/ campaigns, (high yield, impact, etc.)
- Ecosystem development (defining ecosystem building and existing industry engagement)
- Client management
- Project management
- Pipeline development
- Research support (data analytics, identify search criteria for research and potential partners)

Functional Area – Manufacturing (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee recruitment / training / development
- System integrity controls over data entry, timeliness and reporting in Salesforce
- Strategy plan
- Lead generation strategy / plan for targeting companies/ campaigns, business retention and expansion (high yield, impact, etc.)
- After-care/customer experience
- Collaboration with external stakeholders
- Information confidentiality and conflict of interest management
- Communication with external stakeholders
- Employee health and safety practices
- Regulatory and legislative risk that could prohibit from attracting companies
- Type and location of customers targeted

Functional Area – Knowledge Works (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Strategy development and execution
- Lead Generation strategy / plan for targeting companies/ campaigns, (high yield, impact, etc.)
- Ecosystem development (defining ecosystem building and existing industry engagement)
- Client management
- Project management
- Pipeline development
- Research support (data analytics, identify search criteria for research and potential partners)
- Qualification criteria for new/target companies (market share, growth rate, etc.)
- Engagement with external stakeholders (target companies, economic development partners, government officials, etc.)

Functional Area – Real Estate Solutions (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Review of Brownfields Assistance Fund applications
- Maintenance of the VA Real Estate database tool
- Grant management and compliance with requirements
- Real estate subject matter expertise consulting and property search
- Support of business ready sites
- Management of the Real Estate Development strategic plan
- Stakeholder reporting and presentations
- Managing Regional and Local Real Estate Familiarization Tours
- Train local and regional partners on the Real Estate database tool

Functional Area –Strategic Projects and Lead Generation (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- System integrity controls over data entry and reporting in Salesforce
- Lead Generation strategy / plan for targeting companies/ campaigns, (high yield, impact, etc.)
- Project documentation (timely, accurate, complete, etc.)
- Strategy planning
- International contractor management
- Collaboration with external stakeholders
- Confidentiality of company information and conflict of interest management
- Systematic corporate intelligence program
- Administration of business ready laws
- Available sites and buildings
- Cross divisional discussion about strategy, development, and implementation

Functional Area – International Trade (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Screening process for selecting clients / partners
- Advice / consulting on international business
- Contract development / review / approval
- Survey data analysis
- Market research services / Global networking
- Program expense reimbursements
- System integrity controls over data entry and reporting in Salesforce
- Trade mission / show collaboration / alignment
- Certificates of Free Sale
- Monitoring changes in federal grants and legal / regulatory requirements
- Program / grant management and communication (VALET, GDP, STEP, etc.)
- Education events
- Foreign travel insurance
- External partner communication

Functional Area – Research (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Client communications
- Executive presentation support
- Data analytics (workforce data, tax data, benchmarking, etc.)
- Economic trend analysis
- Lead generation support
- Maintain value proposition and content creation
- Maintenance of the VA Real Estate database tool
- Data management
- GIS
- System integrity controls over data entry and reporting in Salesforce

Functional Area – Virginia Office of Education Economics (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Annual research plan
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Project budgeting / approval
- Grant management and reporting (public, grantor, General Assembly, etc.)
- Research presentations
- Data collection, storage, and integrity
- Data analysis to determine the alignment of education to the labor market, conducting analyses required by legislation and the General Assembly to inform key stakeholders
- Reporting to external stakeholders such as the legislature, General Assembly, and external partners (accuracy, timeliness, etc.)
- External collaboration (State and Federal Agencies, Educational institutions, etc.)

Functional Area – Marketing and Communications (Medium Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Overall marketing plan and strategy
- Brand standards (graphics, logos, tag lines, etc.)
- Media communications (protocols, message crafting, etc.)
- Brand awareness
- Contractual agreements
- ROI (discretionary spend, volume, cost, etc.)
- Social media efforts
- Trade shows / missions / event management
- Data integrity and recordkeeping

Functional Area – External Affairs (Low Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Tracking of new legislation, budget amendments, etc.
- Reporting to external stakeholders such as the legislature and external partners (accuracy, timeliness, etc.)
- Rural development strategy and performance tracking
- Partner relations and outreach (includes congressional / legislature relationships)
- Identifying federal opportunities
- System integrity controls over data entry and reporting in Salesforce
- Budget preparation and development
- Preparation of the VEDP Legislative agenda
- MEI Commission interaction
- Community engagement

Functional Area – Economic Competitiveness (Low Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Internal organizational assistance (onboarding, best practices, training, etc.)
- GO Virginia collaboration / alignment
- Statewide economic strategy collaboration / alignment
- National Ranking initiative
- Performance measure development
- Benchmarking other states
- Handling of confidential information
- Business ready sites

Functional Area – Fiscal & Support Services (Low Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Payroll processing (approvals, leave, overtime, etc.)
- Budget development / amendments / monitoring / reallocation of funds
- Segregation of duties
- Travel / entertainment expense reimbursement
- Wire transfer verification
- Approval thresholds for certain transactions
- Financial reporting
- Facilities management
- Account reconciliations
- Cash management / accounts receivable
- Disbursements / accounts payable
- Lease management (Domestic and international)
- Split purchase monitoring
- Competitive bidding
- Bulk purchases / economies of scale with purchasing
- Purchase Card purchases / review / approval
- Vendor and contract database
- Vendor and contract management (due diligence, contract language, ongoing monitoring, etc.)
- Fleet management
- Virginia Tourism Corporation assistance
- Insurance (property, travel, auto, workers compensation)

Functional Area – General Counsel (Low Risk)

Risk of the following not existing or occurring:

- Written operational policies / procedures
- Management reporting and key performance measures
- Cross functional processes / relationships / communication with other VEDP functions
- Employee training / development
- Compliance with local, state, federal and international laws, and regulations
- Protection of confidential information
- Non-disclosure agreements
- Outsourcing of litigation
- Performance agreements for incentives
- FOIA requests
- Compliance with statutory requirements and qualifications for incentive packages
- Verify existence of business licensing (domestic and/or international)
- Transparency of communications

VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE JUNE 12, 2024 FAC MEETING

AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
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	Closed. P&P's reviews have been completed by Research.
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)	Closed – VEDPs IT Division has developed and implemented a Configuration Management Plan, which also maps into the Fresh Service ticketing system, to help track and monitor change request tickets.

VEDP MANAGEMENT ACTION PLAN TRACKER – UPDATES FOR THE JUNE 12, 2024 FAC MEETING

AUDIT & FINDING NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSES	DUE DATE	CURRENT STATUS
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)	Closed – VEDPs IT Division has developed and implemented a process mobile device policy agreement form that will be required to be completed and signed by all VEDP employees who are issued an internally mobile device for business use.

INFORMATION TECHNOLOGY QUARTERLY BOARD REPORT

June 12, 2024

PRESENTER



Chris Hughes

VP, Information Technology

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CURRENT 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 (ISS)	APA	Q2 2024	Q2	Q2	Q2	Q2	Q2	Q2
Information Technology Department	Forvis	Q2 2024	Q2	-	Q2	-	-	-
Sensitive System Audits¹								
Salesforce	Forvis	Q2 2024 ²	Q1	-	-	Q1	-	-
IVS and VirginiaScan (Sites & Buildings)	Forvis	Q2 2024 ²	Q1	-	-	Q1	-	-
Microsoft 365 and File Shares	Forvis		-	Q1	-	-	-	Q1
Public websites and subsites	Forvis		-	Q1	-	-	-	Q1
VOEE: Databases and dashboards	Forvis		-	Q1	-	-	-	Q1
Talent Accelerator websites and subsites	Forvis		-	-	Q1	-	-	-
Research apps and GIS environment	Forvis		-	-	Q1	-	-	-
VTC: Public websites and PMAP system ³	Forvis		-	-	Q1	-	-	-
Total Audits			4	4	5	3	4	4

¹2025 sensitive system audit discussions planned with Forvis. Interested in shifting to a Q3/Q4 completion schedule.

²Audits in final stages, with expected finalization in next 4 weeks.

³VEDP serves as Virginia Tourism Corporation's (VTC) IT department by memorandum of authorization approved during biennial budget. VTC is currently underway with the APA's triennial financial audit.

VEDP IT AUDIT FINDING STATUS

Finding	Description	Audit	Status (% complete)	Comments & Next steps
MP1: FY2023 – FY2024	Improve Information Security Program and IT Governance	APA	 70%	<p>APA reissued a reduced version of MP1 acknowledging VEDP's efforts and roadmap to full compliance.</p> <p>Full closure of MP1 relies on completion of the security roadmap, audit plan, and continued risk management efforts. Anticipating closure alongside the FY2024 APA audit.</p>
MP2: FY2023 – FY2024	Improve Service Provider Insight	APA	 70%	<p>APA reissued a reduced version of MP2 acknowledging VEDP's efforts with sensitive system audits and improved vendor insight. Significant focus on the tailored VEDP Vendor Risk Management program and policies underway since review with APA in March.</p> <p>Full closure of MP2 relies on completion of the security roadmap, audit plan, contract addendums, and continued vendor risk management efforts. Anticipating closure alongside the FY2024 APA audit.</p>
L-02: June 2023	Develop and implement a mobile device agreement form for VEDP-provided devices	Forvis	 100%	<p>Closed out with Forvis May 2024.</p> <p>Device agreements sending out to VEDP/VTC staff alongside a Summer 2024 Phone Revamp (desk phones and cell plans).</p>
M-02: June 2023	Develop and implement a change management plan	Forvis	 100%	<p>Closed out with Forvis May 2024.</p> <p>VEDP's Change Advisory Board (CAB) established and meeting monthly to discuss and approve proposed/pending changes. CAB meetings end with a Vulnerability Management Program review.</p>

FORMAL ADOPTION OF VEDP VULNERABILITY MANAGEMENT POLICY ALLOWED FOR A RECALIBRATION BASED ON TRUE THREAT LEVELS





INCENTIVE-RELATED FAC MATERIALS

June 12, 2024

PRESENTER



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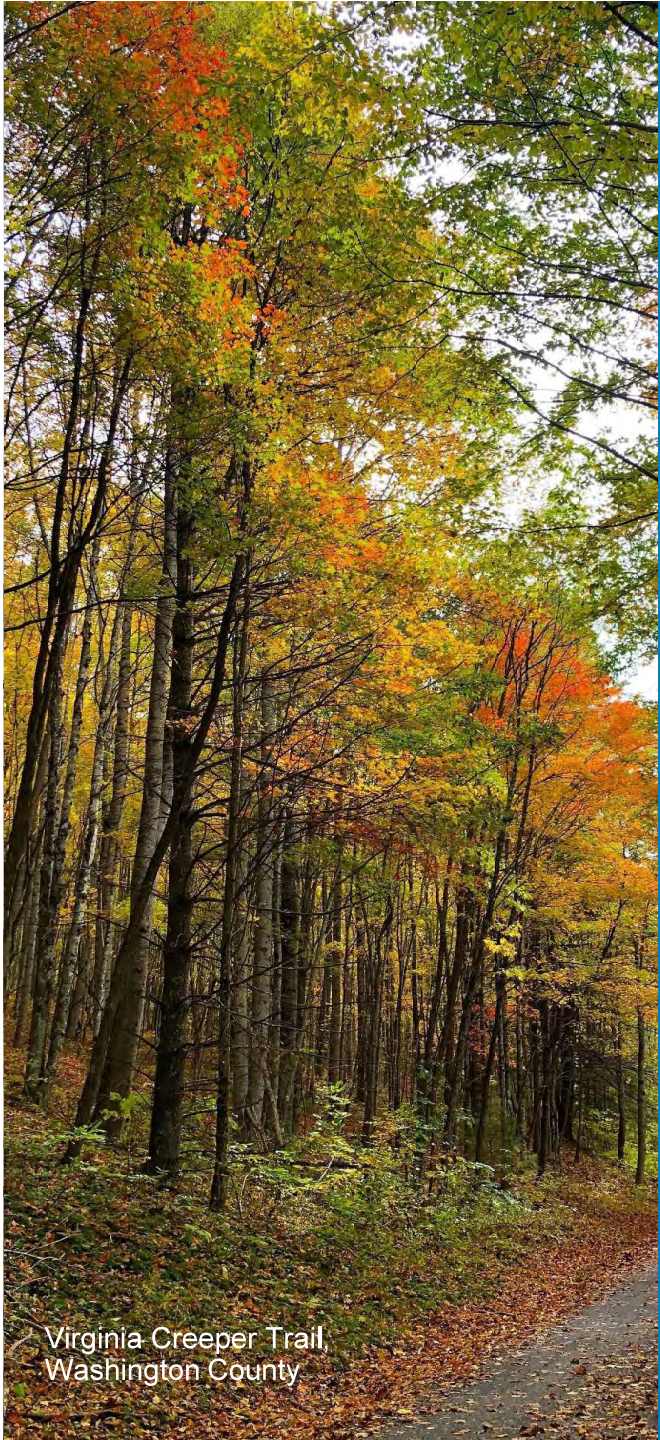
FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers



Virginia Creeper Trail
Washington County

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.

FASTECH (HARLOW) – CITY OF DANVILLE – 1ST EXTENSION

Summary:

- Manufacturer and fabricator of sheet metal
- \$147,000 COF grant
- Governor approved: 10/24/2018
- Performance date: 12/31/2023
- New extension date requested: 3/31/2025
- Extension request received: 12/31/2023

Targets per the Performance Agreement:

- 49 new jobs @ \$55,000 over baseline of 0
- \$8,000,000 capital investment

Actual as of 12/31/2023:

- 13 new jobs (27%) @ \$57,563 (verified)
- \$2,608,293 (33%) (verified)

Request:

- Extend performance date by 15 months from 12/31/2023 to 3/31/2025

Rationale:

- FasTech is engaged in additive manufacturing technology, predominantly used by military and private sector Department of Defense clients.
- The company has completed extensive certification processes to expand its customer base within the defense industry.
- Key customers include Siemens, Siemens Energy, and Airbus and the company has been awarded long-term contracts.
- FasTech estimates employment will reach 26 by early 2025.
- The company is moving into a 30,000 square-foot shell building, requiring additional capital investments of \$3.0 million.
- A 15-month extension will allow the company to move closer to its performance metrics; it is not expected they will reach the full capital investment or job targets.
- The City of Danville is in possession of the COF grant and is supportive of a 15-month extension for FasTech.

ORANSI – CITY OF RADFORD – 1ST EXTENSION

Summary:

- Manufacturer of air purification equipment
- \$50,000 COF grant and \$70,700 VJIP grant
- Governor approved: 3/25/2018
- Performance date: 9/30/2024
- New extension date requested: 12/31/2025
- Extension request received: 1/24/2024

Targets per the Performance Agreement:

- 101 new jobs @ \$39,556 over baseline of 0
- \$2,215,000 capital investment

Actual as of 12/31/2023:

- 22 new jobs (22%) @ \$83,164 (verified)
- \$1,554,674 (70%) (verified)

Request:

- Extend performance date by 15 months from 9/30/2024 to 12/31/2025

Rationale:

- Manufacturing at the facility began in March 2024.
- Hiring challenges occurred due to delays in construction, a longer research and development timeframe, and the softening of the market.
- The company is actively hiring and anticipates it will reach the employment target with a 15-month extension.
- Building renovations are complete and new consumer product lines will be introduced, requiring additional capital investment.
- The statutory minimums of 15 jobs and \$1.5 million have been met.
- VEDP is in possession of the COF grant and the City of Radford is supportive of a 15-month extension for Oransi.

DATA CENTER EXTENSION REQUEST OVERVIEW

- The Code of Virginia § 58.1-609.3. (Commercial and industrial exemptions.) provides an exemption from state and local sales tax for computer equipment or enabling software purchased or leased for the processing, storage, retrieval, or communication of data, including but not limited to servers, routers, connections, and other enabling hardware, including chillers and backup generators used or to be used in the operation of the equipment.
- The statutory minimum qualification for the exemption is a capital investment of at least \$150 million and the creation of at least 50 new jobs, each earning at least 150% of the prevailing average wage. For distressed communities, the statutory minimums are lowered to \$70 million and ten new jobs, each earning at least 150% of the prevailing average wage.
- Per the DCRSUT Exemption Guidelines, the data center holding the MOU is responsible for collecting repayment from tenants or identifying to TAX when repayments will be made by their tenants. Should the tenants be unable to pay, the data center is responsible for the repayment of the collective tax benefit.
- There is no fee associated with extensions.

CYXTERA COMMUNICATIONS (NOW PHOENIX INFRASTRUCTURE) – LOUDOUN COUNTY – 2ND EXTENSION

Summary:

- Data Center Retail Sales & Use Tax Exemption (DCRSUTE)
- MOU executed: 2/1/2019
- Initial performance date: 2/1/2023
- Extended performance date: 8/1/2024
- New extension date requested: 2/1/2026
- Extension request received: 4/18/2024

Targets per the MOU:

- 50 new jobs @ \$96,867 (150% PAW)
- \$150,000,000 capital investment

Company Reported as of 6/30/2023:

- 25 new jobs (50%)
- \$240,360,814 capital investment (160%)
- Cumulative tax benefit to date: \$13,421,300

Request:

- Extend performance date by 18 months from 8/1/2024 to 2/1/2026

Rationale:

- Cyxtera Communications filed for bankruptcy in November 2023.
- On November 16, 2023, it was announced that Brookfield Infrastructure Partners would acquire the company's assets.
- The new owner is requesting time for their entity, Phoenix Infrastructure, LLC, to reach the performance targets of this MOU.
- The company is also requesting that an existing affiliate in Loudoun County (not previously included in the MOU) be added to the MOU. The affiliate currently has seven employees, which would increase the total jobs to 32 or 64% of the performance target.
- Because this is a second extension request, MEI review and approval is also required.

FINANCE & AUDIT COMMITTEE

Extension Requests

Repayments Initiated: COF

Repayments Initiated: VJIP

Repayments Initiated: Data Centers



Mathews 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

Clawbacks past due as of May 17, 2024

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 17, 2024

Company	Locality	Clawback amount due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
Hardywood	Goochland	21,250	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 (received 12/5/2023), 3/1/2024 (received 2/27/2024), 6/1/2024, and 9/1/2024.	Yes	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 (received 12/14/2023), 3/15/2024 (received 3/14/2024), 6/15/2024, and 9/15/2024.	Yes	9/8/2016	1/17/2023
TOTAL		221,250				

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Projects subject to clawback closed out since March 7, 2024

Company	Locality	Clawback amount received (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
McAirlaid's	Franklin	13,500	Job threshold not fully met; prorated repayment of \$13,500 of \$75,000 grant received 3/25/2024.	No	12/20/2018	9/30/2023
Oran Safety Glass	Greensville	150,000	Statutory minimum employment requirement not met; full repayment of \$150,000 grant received 5/15/2024.	Yes	9/7/2017	3/31/2023
TOTAL		163,500				

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 COF grant closure.	Yes	4/12/2017	6/30/2022
TOTAL		600,000				

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK

Past due clawbacks referred to Office of the Attorney General as of May 17, 2024

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 (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. Case has been closed by OAG with no collection anticipated.	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; The VEDP Board, at its January 17, 2018, meeting, directed the Office of Attorney General (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. Case has been closed by OAG with no collection anticipated.	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 (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. Case has been closed by OAG with no further collection anticipated.	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 (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. The OAG has determined this grant to be uncollectible. Company is out of business; its assets (but not liabilities) were purchased by other entities and no meaningful judgment may be attained.	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 (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. The OAG has determined this grant to be uncollectible. Company has been fully defunct since 2020, as has its parent company, Axon Connected. Judgment may not be attained since there are no assets.	Yes	6/29/2015	10/1/2018

PROGRESS REPORT ON COF PROJECTS SUBJECT TO CLAWBACK (CONT'D)

Past due clawbacks referred to Office of the Attorney General as of May 17, 2024

Company	Locality	Clawback amount due (\$)	Notes	Clawback Previously Reported?	Announcement Date	Performance Date
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 (OAG) to enforce collection of clawback in accordance with § 2.2-2237.3.C. The OAG has determined this grant to be uncollectible. Company is out of business; its assets (but not liabilities) were purchased by other entities and no meaningful judgment may be attained.	Yes	2/29/2016	6/30/2019
TOTAL		6,576,726				

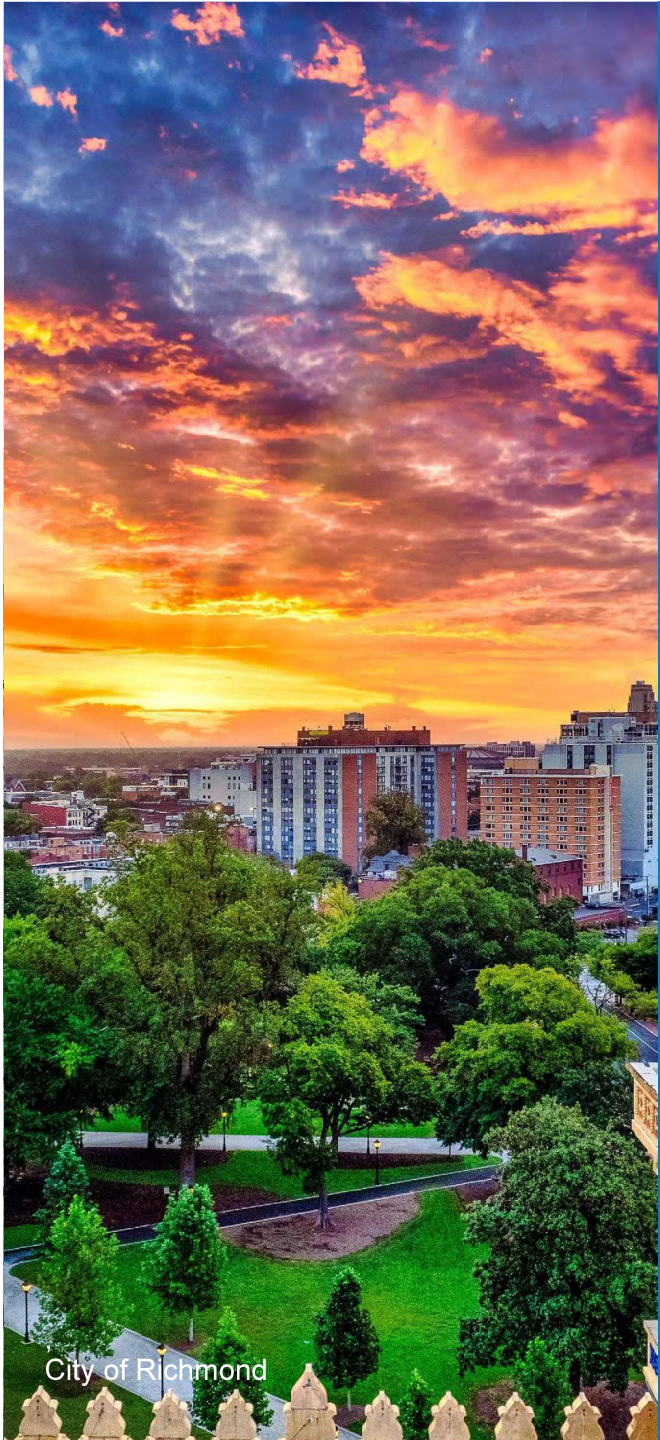
FINANCE & AUDIT COMMITTEE

Extension Requests

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 May 17, 2024 – NONE

Clawbacks past due as of May 17, 2024 – NONE

Clawbacks requested but not past due as of May 17, 2024 – NONE

Projects subject to clawback closed out since May 17, 2024 – NONE

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

FINANCE & AUDIT COMMITTEE

Extension Requests

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 May 17, 2024 – NONE

Clawbacks past due as of May 17, 2024 – NONE

Clawbacks requested but not past due as of May 17, 2024 – NONE

Projects subject to clawback closed out since May 17, 2024 – 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				

TOPICS FOR NEXT MEETING

June 12, 2024