

**Minutes**  
**Finance and Audit Committee Meeting**  
**Board of Directors of the Virginia Economic Development Partnership**  
**October 21, 2020 1:00 p.m.**  
**Electronic (Zoom) Meeting**

**Call to Order**

The meeting was called to order at 1:06 p.m. by Acting Chair Dan Pleasant, who noted that a quorum was present.

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

Committee Members Absent: Tom Farrell and Bill Hayter

Ex-Officio Committee Member Present: Ned Masee

VEDP staff present: Lindsay Barker, Vince Barnett, Jamie Canup, Nicole David, Jason El Koubi, Kim Ellett, Stephanie Florie, Jennifer Garrett, Katherine Goodwin, Bob Grenell, Sandi McNinch, Lori Melancon, Christy Morton, Johan Salén, Tim Stuller, and Carrie Vuori

Guests present: Carrie Chenery, Dan Clemente, Deborah Flippo, Chris Kalafatis, Charles Kennington, Martha Mavredes, Kim McKay, Marianne Radcliff, Cassidy Rasnick, John Reinhart, and Randy Sherrod

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

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

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

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

### **Public Comment Period**

Acting Chair Pleasant asked for public comments. There were none.

### **Approval of Minutes**

Acting Chair Pleasant asked for approval of the minutes from the Aug 5, 2020 meeting. A motion was made by Secretary Layne and seconded by Ms. Kees and the minutes were unanimously approved as presented by roll call vote:

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

### **Update on FY20 Financial Audit Process**

Acting Chair Pleasant introduced Martha Mavredes, Auditor of Public Accounts, to provide an update on VEDP's FY20 financial audit process.

Ms. Mavredes explained that her team has completed most of the individual testing of internal controls. She said they are still looking at the financial statements and corresponding notes. She added that this is not a quick exercise, but that she is still hopeful that they will be done by October 31 in accordance with a Code requirement.

Ms. Mavredes shared that they have run into one issue related to the Human Resources function and I-9 forms that should be completed on or before the first day of employment for new hires. She feels this step has not consistently been completed in a timely manner due to low staffing levels in the Human Resources division. She said that this is a compliance issue and will not impact the financial statement.

Ms. Mavredes explained that her team and VEDP are going to work on the timing of the release of the audit opinion and related information, to improve the process from last year. She also said that her team may want to circle back and do a formal final exit at VEDP's next Board meeting.

Ms. Mavredes announced that this meeting would be her final farewell to VEDP, as she is retiring at the end of December 2020 after serving the Commonwealth for 37 years. She said that she has enjoyed working with the with VEDP team and Board over the years. The VEDP staff and Board members expressed best wishes to Ms. Mavredes for an enjoyable retirement.

### **VEDP FY21 Financial Results (thru 9/30/2020)**

Acting Chair Pleasant introduced Mr. Grenell to report on VEDP's financial results through the end of Q1 FY21.

Mr. Grenell shared each divisions' actual spending to budget. He said that all divisions are well below budget. He explained that the market-facing divisions (International Trade, Business Investment, and Marketing and Communications) are under budget (14% combined). He said that this trend is expected to continue at least through the second quarter of FY21, and probably longer than that, due in large part to the hiring freeze and travel restrictions.

Mr. Grenell reported that Projects, Pass Thru's and Grants are under budget (2%) through the first three months of the fiscal year. He reminded the Committee that the FY21 budget includes \$3.1 million for the Virginia Business Ready Sites Development and Characterization programs, and \$2.3 million for the Brownfields Restoration and Redevelopment Fund. He said spending for these programs is not expected to happen until later in the fiscal year.

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

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

### **Internal Audit Update**

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

Mr. Kalafatis reviewed two action items that were open as of the last meeting and updated the Committee on the status of each. He reminded the Committee that VEDP has not been able to extend an offer for the VP of HR role (due to the state hiring freeze), so this action item remains open. The second outstanding item is regarding the timeliness of performance evaluations. Mr. Kalafatis reported that all evaluations were completed by the September 30, 2020, due date.

Mr. Kalafatis reported that DHG is working on audits for the VJIP part of Talent Solutions and the Business Investment division. He said that those audits have just kicked off and they still

have the bulk of the audit left to do. He said DHG hopes to present these two audit reports at the January 2021 Board meeting.

Mr. Kalafatis reviewed that the Marketing & Communications audit will kick off in the middle of January 2021 and run until the middle of April 2021. He said that the Annual Risk Assessment will occur during the March/April 2021 timeframe.

### **Extension Requests**

Mr. Salén presented several extension requests for the Committee's consideration. He added that the main driver of the requests is the COVID-19 pandemic, which is impacting companies' ability to meet their performance metrics.

**Eastman Chemicals** has requested a first extension of only 4 months to meet its employment target. Mr. Salén said that they have had a number of issues due to COVID-19. Mr. Salén explained that the company has made the decision to convert 60 of their part-time employees to full-time employees, which will help them meet their employment target. They need the additional four months for the change to take effect and count against their targets.

**Hardywood** has requested a first extension of 15 months. Mr. Salén reminded the group that Hardywood is a brewery and said that understandably they have taken a major hit due to COVID-19. He added that as of now they are under the statutory minimum for their employment target and if they are not granted an extension, they will be required to repay their entire \$500K Commonwealth Opportunity Fund (COF) grant.

**idX Corporation** has requested extension requests for their two COF grants. Mr. Salén said that when COVID-19 hit they were forced to lay off 40 employees. As restrictions have eased, they have started to hire again and they feel they will be able to meet their goals if given at 15-month extension.

**Navy Federal Credit Union** has requested a first extension of 15 months. Mr. Salén said they have exceeded their investment target. The company is asking for more time to reach their employment target due to hiring freezes/other issues in the early months of the pandemic.

**Qualitytech, LP** has requested a first extension request of 18 months. They have asked for this request early, as they anticipate they will need a little more time to meet their employment target. They have already met their investment target.

**Sanjo** has requested a first extension of 15 months. Mr. Salén said the company has faced a number of challenges due to tariffs on imports, visa issues, and COVID-19. He added that they are under the statutory minimum for their employment target and if they are not granted an extension, they will be required to repay their entire \$250K Commonwealth Opportunity Fund (COF) grant. They hope the extension will allow them to get above the statutory minimum.

**Starsprings USA, Inc.** has requested a second extension of 15 months, which will require MEI approval. Mr. Salén said they are struggling to meet their targets due to the COVID-19

pandemic. He said they have been adding employees but are still struggling to fill many positions.

Ms. Kees asked if VEDP knows the value of the sales and use tax exemption for Qualitytech LP. Mr. Salén answered that VEDP does not have this information because it is confidential information that the department of taxation does not release.

Ms. Chenery asked if all of the localities have been notified of the extension requests and if any have expressed concerns. Mr. Salén said that all have been involved and all have sent letters of support for these extension requests.

Acting Chair Pleasant asked if there is anything VEDP can do to keep a closer watch on companies that may be at risk of not reaching their targets.

Mr. El Koubi answered that VEDP has instituted an annual check in with all COF recipients, which asks them to self-report on a risk level relative to hitting their targets.

Ms. Ellett added that if she sees a company's numbers are low, she arranges a call with the company and the locality, so VEDP can try to proactively offer help.

Secretary Ball said that VEDP should create a watch list as a way to keep track of companies that are not likely to meet their targets to give the Board as much visibility into these issues and make sure the numbers we are reporting are as accurate as possible. Mr. Salén agreed that this is a fair comment and reminded the Board of the current process for bringing these issues to the Board.

Mr. Harrell made a motion to recommend approval of the aforementioned seven extension requests, as a package, to the full Board. Secretary Layne seconded the motion and the motion was unanimously approved by roll call vote.

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

### **Clawback Updates and OAG Referrals**

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

Mr. Salén shared that one clawback was received since the August Board meeting from Discovery Communications. He said they repaid a \$500K COF grant.

Mr. Salén reported that only one clawback is past due. The company, Liberty Source, has been paying in installments.

Acting Chair Pleasant asked if VEDP monitors the clawbacks that have been referred to the OAG. Mr. Salén confirmed that VEDP is in communication with the OAG on these referrals.

Secretary Layne made a motion to recommend approval of the clawback report to the full Board. Ms. Kees seconded the motion and the motion was unanimously approved by roll call vote.

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

### **Other Topics, Adjournment, and Next Meeting**

Mr. El Koubi shared that the Incentives division has been working with several other divisions on some fairly technical updates they would like to make to incentives related policies and procedural related guidelines. He anticipates that the team will be bringing these suggestions to a future Committee meeting, likely in January of 2021.

Mr. Harrell asked if there is anything for VEDP and the Commonwealth to learn related to incentives which has surfaced during the pandemic that we may consider applying to our process in the future.

Mr. El Koubi answered that the approach the Commonwealth has taken to offering post-performance incentives has lowered the downside risk. He also noted that the shift to telework is going to raise some interesting questions for how we design and administer our incentives for companies who adopt a telework model for their workforce.

Acting Chair Pleasant asked a question about extension requests beyond a second request. Mr. El Koubi answered that MEI can approve requests beyond a second extension.

The next meeting of the Finance and Audit Committee will be held on January 27, 2021, and will be an electronic Zoom meeting, exact time to be determined.

There being no further business, Secretary Layne made a motion to adjourn the meeting at 1:51p.m. Mr. Harrell seconded the motion and the motion was unanimously approved by roll call vote.

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

Respectfully submitted,

Nicole David

Acting Recording Secretary