



Virginia Economic Development Partnership

Internal Audit Report - Virginia Jobs Investment Program (VJIP)

January 11, 2021

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Executive Summary

We have completed an internal audit of the controls over the Virginia Jobs Investment Program (VJIP) program within the Talent Solutions Division. Based on our procedures, we identified two recommendations to strengthen the approval process over issuing VJIP funds and to enhance methods to collect customer feedback.

Below is an explanation of the Finding Classifications associated with the findings identified during our audit. See detailed summary of the Findings, Recommendations, and Management’s Responses on page five.

Finding Classifications	Quantity
Critical —Matter is urgent and requires immediate action by the Board of Directors and Executive Management.	0
High —Matter is a high priority that requires Executive Management’s immediate attention and correction.	0
Medium —Matter is a priority that requires Executive Management’s attention and a commitment to correct in a reasonable timeframe.	0
Low —Corrective action is necessary. These items represent infrequent errors or opportunities to improve internal controls or processes.	2
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.	0

Audit Rating: Satisfactory

A “Satisfactory” rating, as defined below, was assigned based on the results of this audit.

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.

Overview of VJIP

Per the VEDP website “VJIP is a discretionary program that provides funding to companies creating new jobs or experiencing technological change to reduce the human resource development costs for new companies, expanding companies, and companies retraining their employees. Funding for each net new full-time job created or full-time employee retrained is based on a customized budget determined by an assessment of the company’s recruiting and training activities, as well as the project’s expected benefit to the Commonwealth, and is subject to approval by the Secretary of Commerce and Trade.”

To be eligible for VJIP funds, companies must derive more than 51% of their revenue from sources outside of the Commonwealth in the qualifying industry sectors of Corporate Headquarters, Distribution Centers, Information Technology, Manufacturing, Research & Development and Shared Service Centers. Companies with more than 250 employees must commit to creating at least 25 new jobs in Virginia as well as a capital investment of over \$1 million. Companies with less than 250 employees must commit to creating five new jobs as well as a capital investment of \$100,000.

Companies that are approved for VJIP funds are given an amount per job created, up to a predetermined award amount. Monies are paid to the company after the jobs have been created.

Objective and Scope

The objective of this audit was to assist VEDP in evaluating processes and controls for the VJIP program, and to provide any recommendations for improvement. As part of the audit plan for Fiscal Year 2021, we performed testing of select internal controls over VJIP business processes during the period of July 1, 2019 - September 30, 2020. We conducted meetings with management and process owners to understand the current processes and control activities in place. The following functional areas and activities were included within the scope of our testing procedures:

- Review of VJIP Policies and Procedures: Consistent and timely review of VJIP policies and procedures.
- VJIP New Jobs Applications: The proper approval of the commitment of VJIP funds including completion of a VJIP Scorecard.
- Monitoring related to Job Creation and Capital Investment: Vetting of job creation and capital investment numbers to ensure code mandated requirements were met.
- Reimbursement for Jobs Created: Forms submitted by companies signifying they met the stipulations of the program.
- Performance Measures: Maintained performance measures for team members and for the VJIP program.
- Workforce Consultation: Information about Workforce Consultation provided by VJIP staff were recorded in Salesforce.
- Lead Generation: Recording in Salesforce of Leads Generated by the Regional Talent Solutions/VJIP Team prior to being passed along to the Business Investment Team.

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

Findings, Recommendations, and Management’s Responses

LOW RATED FINDINGS				
NUMBER	FINDING	RECOMMENDATION	MANAGEMENT'S RESPONSE	EXPECTED REMEDIATION DATE
L-1	Customer surveys are not utilized for determining satisfaction with processes related to VJIP incentives nor with Workforce Consultation that team members provide.	We recommend that VEDP create surveys and distribute them to customers to obtain feedback related to VJIP incentives and Workforce Consultation.	VEDP concurs with the finding, and will: <ul style="list-style-type: none"> • Develop a VJIP client survey and implementation process. • Modify Salesforce to enable survey administration. 	June 30, 2021
L-2	There is no review or approval by the Project Review and Credit Committee (PRACC) of VJIP-only incentives. Having PRACC approval of VJIP-only funds would be consistent with how other VEDP incentives are handled.	We recommend that the PRACC approve the commitment of VJIP-only funds as is done for other VEDP incentives.	VEDP concurs with the finding, and will: <ul style="list-style-type: none"> • Continue cross-divisional work that is already underway to incorporate VJIP-only projects into the PRACC process. • Update related Policy and Procedures. 	June 30, 2021