

Minutes
Finance and Audit Committee Meeting
Board of Directors of the Virginia Economic Development Partnership
January 27, 2021 1:30 p.m.
Electronic (Zoom) Meeting

Call to Order

The meeting was called to order at 1:34 p.m. by Chair Bill Hayter. During the meeting, Mr. Massee appointed Ms. Chenery, Ms. Flippo, and Mr. Clemente to the Committee.

Mr. Hayter noted that a quorum was present.

Committee Members Present: Secretary Brian Ball, Carrie Chenery, Dan Clemente, Deborah Flippo, Rick Harrell, Bill Hayter, Secretary Aubrey Layne, and Dan Pleasant

Committee Members Absent: Tom Farrell and April Kees

Ex-Officio Committee Member Present: Ned Massee

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

Guests present: Ryan Carter, Staci Henshaw, Chris Kalafatis, Charles Kennington, Marianne Radcliff, Randy Sherrod, and Toni Walker

Chair Hayter welcomed guests to the electronic meeting of VEDP's Finance and Audit Committee. Chair Hayter 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.

Chair Hayter 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.

Chair Hayter 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

Chair Hayter asked for public comments. There were none.

Approval of Minutes

Chair Hayter asked for approval of the minutes from the October 21, 2020, meeting. A motion was made by Mr. Harrell and seconded by Ms. Chenery and the minutes were unanimously approved as presented by roll call vote:

Upon the vote:	Mr. Hayter	Aye
	Mr. Clemente	Absent for the Vote
	Secretary Ball	Aye
	Ms. Chenery	Aye
	Ms. Flippo	Absent for the vote
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Absent for the vote

Update on FY20 Financial Audit

Chair Hayter introduced Staci Henshaw, Auditor of Public Accounts, to share VEDP’s FY20 financial audit report.

Ms. Henshaw shared the completed audit report, which showed an unmodified opinion (a clean audit) on VEDP’s financial statements. She said that her team has also issued an internal control report, which identified a couple of lower-level findings. The report suggests recommendations to (1) update policies and procedures relating to small purchase charge cards and (2) fully comply with I-9 form (employment eligibility) requirements, specifically related to VEDP’s timeliness in completing these forms.

Mr. El Koubi stated that on the issue of small purchase charge card policies and procedures, these have been updated and staff who have purchasing cards have been trained on the new policies and procedures. He also shared that additional staffing in the Human Resources division will help remedy timeliness issues with completing I-9 forms.

Ms. Henshaw reviewed the audit team's exit remarks in detail with the Committee.

Mr. El Koubi and Mr. Grenell thanked Ms. Henshaw and Mr. Carter for their great work and professionalism during the audit. Ms. Henshaw and Mr. Carter thanked the VEDP team for a great audit and their cooperation during a tricky time of having to do most things remotely.

VEDP FY21 Financial Results (thru 12/31/2020)

Chair Hayter introduced Mr. Grenell to share his report.

Mr. Grenell shared that all VEDP divisions are below budget. He said that the state's hiring freeze, VEDP's efforts to reduce expenditures in anticipation of possible budget reductions, the travel ban, cancelled events, etc. have all resulted in less expenditures.

Mr. Grenell said that the market-facing divisions continue to be under budget and expects they will be through the third quarter. He added that spending will be picking up in the last quarter of the fiscal year.

Mr. Grenell reported that Projects, Pass Thru's and Grants are under budget (8%) through the first six 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 expected to increase in the fourth quarter of the fiscal year.

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

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Clemente	Absent for the vote
	Mr. Harrell	Aye
	Secretary Layne	Absent for the vote
	Mr. Pleasant	Absent for the vote
	Ms. Chenery	Aye
	Ms. Flippo	Aye

Internal Audit Update

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

Mr. Kalafatis shared that DHG has recently completed audits for the Virginia Jobs Investment Program (VJIP) section of the Talent Solutions division and for the Business Investment (BI) division.

He stated that the audits were very good overall and that the teams were easy to work with and very responsive. He said that DHG is currently conducting the Marketing & Communications audit, which will most likely be completed in April. Mr. Kalafatis said that he appreciates Ms. Melancon's responsiveness and help on this ongoing audit.

Mr. Kalafatis said DHG will release its plan for future audits in March.

Mr. Kalafatis introduced Mr. Sherrod to provide details of the two most recently completed audits.

Mr. Sherrod reviewed the objective and scope of the BI audit. He said DHG appreciates Mr. Barnett and Ms. Goodwin's help with facilitating the audit, noting that it was a great experience and they enjoyed learning about the different areas of BI. Mr. Sherrod said DHG identified three low-level findings for the BI audit, which are related to call center user profiles and leads converted data. Mr. Sherrod said that VEDP concurred with all findings and has made plans to address each of them by March 31. He added that one finding has already been addressed. Mr. Sherrod said that DHG will follow up to confirm that these findings have been resolved.

Mr. Moret recognized the BI and Salesforce teams for their great work in addressing concerns from the 2016 Joint Legislative Audit and Review Commission (JLARC) report and the significant staff commitment that has gone into improving how BI activities and metrics are tracked today.

Mr. Sherrod reviewed the objective and scope of the VJIP audit. He said DHG appreciates the work Mr. Stuller, Ms. Melvin, and the entire team did to cooperate with the audit. Mr. Sherrod shared that DHG identified two low-level findings, which are related to customer surveys and approval of VJIP only incentives by the Project Review and Credit Committee (PRACC). He said that each have good remediation plans and will be completed by June 30, 2021.

Mr. Harrell made a motion to accept the audit reports. Ms. Flippo seconded the motion and the motion was approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Absent for the vote
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Absent for the vote
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	Aye

Extension Requests

Mr. Salén said that he would be presenting several extension requests for the Committee's consideration. He shared that the main driver of the requests is the COVID-19 pandemic, which is impacting companies' ability to meet their performance metrics. He added that all of the localities where these companies are located are supportive of the extension requests.

Mr. Salén started off by sharing two second extension requests, both of which will require approval from the Major Employment and Investment (MEI) Project Approval Commission.

Blue Wolf Sales and Services has requested a second extension of 15 months to meet its employment and investment targets. Mr. Salén said that they have several pending contracts and if any come through, they are confident they will easily meet their targets. He added that if the company does not receive the extension, they will have to pay the full clawback.

Solid Stone Fabrics has requested a second extension of 15 months. Mr. Salén said they need to create an additional 32 jobs to meet their performance goal, but they have met their investment target. He said that the company's main customers for their product (flags) are schools and Disney and neither are buying flags right now. The company expects sales to pick up when the pandemic is over. The company has tried to pivot to producing masks and gowns, but this has not generated enough volume. Mr. Salén said that if the company does not receive the extension, they will have to pay the full clawback.

O'Sullivan Films / Continental Automotive has requested a first extension of 15 months to meet its employment and investment targets.

OVH has requested a first extension of 15 months. Mr. Salén said they have met their investment target threshold, but are under the statutory minimum for job creation.

PowerSchool has requested a first extension request of 15 months. They have exceeded their investment target, but their employment ramp up has been slow due to the pandemic.

Willow Tree has requested a first extension of 15 months. Mr. Salén said this is a VJIP-only grant and that historically VJIP only projects have not received extensions from the Board. He added that in an effort to align VJIP projects with how other incentives programs are administered, the team will now bring such requests before the Committee.

Mr. Hayter asked if these companies are having a slow ramp up in employment due to the pandemic or if the companies have decreased employment during the pandemic.

Mr. Salén answered that it is probably a little bit of both. He said he would have to follow up on the specifics for each project.

Mr. Masee suggested that VEDP and the Committee need to follow up and watch very closely to see if companies change their business models and evaluate how to take those changes into account in the review process.

Mr. Hayter asked if companies are taking Paycheck Protection Program (PPP) money then why are they reducing their staff and will this have a long-term impact on how the Committee reviews extension requests.

Mr. El Koubi said VEDP can take a closer look and see if there are any issues to consider.

Mr. Harrell made a motion to recommend approval of the aforementioned six 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:	Mr. Hayter	Aye
	Secretary Ball	Absent for the vote
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Absent for the vote
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	Aye

VFP

Mr. Salén presented a unique situation to the Committee involving VFP and an extension request from the company which was previously presented to the Committee and approved by the full VEDP Board. He explained that there was an error in the project’s original employment baseline, which caused it to be set at an artificially high level. To remedy the situation, VEDP staff, following consultation with MEI, staff recommend rescinding the first extension, which would lead to the reinstatement of the original performance date of 12/31/16, at which point the company exceeded the statutory minimum employment requirement, allowing the company to repay only that portion of the grant related to the job shortfall (\$28,000). This repayment would be due 3/31/21. VEDP staff, the company, and Scott County are all supportive of rescinding the first extension with the prorated repayment of \$28,000.

Ms. Chenery asked if VEDP leadership plans to give a heads up to legislators in Scott County to let them know how the situation is being resolved. Ms. Morton agreed to follow up.

Mr. Harrell made a motion to rescind the extension request. Mr. Pleasant seconded the motion and the motion was approved by roll call vote. Mr. Hayter indicated that he would be abstaining, since VFP was a customer of his bank.

Upon the vote:	Mr. Hayter	Abstained
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	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 reported that the clawback report shows that two clawbacks are past due, but since this report was generated, both companies have repaid their grants and will be closed out. He added that six additional clawbacks have been closed out since October 22, 2020.

Mr. Pleasant made a motion to recommend approval of the clawback report to the full Board. Mr. Clemente seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Absent for the vote
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	Aye

Semi-annual Report on Incentive Performance (as of 12/31/20)

Mr. Salén shared the report and noted that VEDP continues to see a positive trend of most companies hitting their targets. He reminded the Committee that the report would be posted on VEDP’s website following the meeting.

Mr. Harrell made a motion to recommend approval of the Semi-annual Report on Incentive Performance to the full Board. Mr. Clemente seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	Aye

Updates to Incentive-related Policies and Procedures

Mr. Salén shared a presentation on three proposed changes to incentive-related policies and procedures. He explained the proposed changes, which include fully aligning Talent Solutions incentives to the PRACC review and approval process; establishing a new tier-based approach for due diligence activities; and making clarifying edits to improve flow and align with the

previous points. He explained each proposed change in detail, including the anticipated benefits.

Mr. Harrell made a motion to recommend approval of changes to incentive-related policies and procedures to align all incentives. Mr. Clemente seconded the motion and the motion was unanimously approved by roll call vote.

Upon the vote:	Mr. Hayter	Aye
	Secretary Ball	Aye
	Mr. Harrell	Aye
	Secretary Layne	Aye
	Mr. Pleasant	Aye
	Ms. Chenery	Aye
	Ms. Flippo	Aye
	Mr. Clemente	Aye

Other Topics, Adjournment, and Next Meeting

Mr. El Koubi updated the Committee that Mr. Salén recently shared with VEDP staff that he will be leaving VEDP soon to pursue new opportunities. Mr. El Koubi thanked Mr. Salén for his significant contributions on multiple improvements related to complex deal structuring on dozens of major projects, policies and procedures, and incentive-related transparency and reporting functions. Mr. El Koubi also recognized Mr. Salén for building a solid team that will carry on the Incentives division’s important work moving forward.

Mr. El Koubi said that VEDP will launch a national search for this important role and will consider both internal and external candidates. Mr. El Koubi introduced Jordan Snelling, who will serve as interim Vice President of the Incentives division. He highlighted Ms. Snelling’s years of relevant experience.

Chair Hayter thanked Mr. Salén for everything he has done for VEDP and the Committee and said Mr. Salén has made his job as Chair easier. He added that Mr. Salén would be missed and wished him well in his future endeavors.

Chair Hayter said that he looks forward to working with Ms. Snelling in the future.

Mr. Salén thanked Mr. El Koubi and Chair Hayter for their kind words, adding that he enjoyed his position at VEDP and presenting to and interacting with the Committee. The Committee gave Mr. Salén a round of applause.

The next meeting of the Finance and Audit Committee will be held on March 17, 2021, and will be an electronic Zoom meeting, exact time to be determined.

Respectfully submitted,

DocuSigned by:

Nicole David

Acting Recording Secretary