



VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA
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AUDIT SUMMARY

Our audit of the Virginia Economic Development Partnership for the year ended June 30, 2020, found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Virginia Economic Development Partnership as of and for the year ended June 30, 2020, and issued our report thereon, dated October 30, 2020. Our report is included in the Partnership's Annual Report that it plans to release on or around December 23, 2020.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Update Small Purchase Charge Card Policies and Procedures

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Policies over the Small Purchase Charge Card (SPCC) program at the Virginia Economic Development Partnership (Partnership) are not adequate and do not represent actual procedures in place. The policies outlined below are not representative of actual procedures in place:

- The policy notes that the card and transaction limits for new cards will be \$5,000 but may be higher due to business needs. Eighteen of 21 cardholders have a card or transaction limit higher than \$5,000.
- The policy references the website for the Department of Accounts (DOA) for more information on the SPCC program. However, the Partnership does not participate in DOA's SPCC program and does not use DOA's SPCC policies as their own.
- The policy states that using the SPCC card for "business travel" is not permitted, but the Partnership does allow certain travel expenses to be paid for on SPCC cards in practice. The policy does not differentiate between when this is allowable and when it is not.

Further, the policies do not contain guidance over the following areas:

- obtaining a card, changing card limits, or returning a card when no longer required;
- safekeeping of the card;
- maintaining a log of all purchases, including review and supervisor approval on a monthly basis;
- circumventing controls over the SPCC program intentionally, such as split purchases or purchasing from prohibited categories; and
- disciplining cardholders who violate guidelines set out by these policies.

Maintaining thorough and up-to-date policies and procedures is a best practice. Outdated or incomplete policies and procedures can cause confusion for employees and inconsistent application of procedures or disciplinary actions. It also exposes the Partnership to an increased risk of fraud or abuse through the SPCC program. As a result of the lack of guidance, one cardholder at the Partnership conducted a split purchase to circumvent the transaction limit. A split purchase occurs when a

cardholder or vendor processes a payment in multiple smaller transactions when the total of the transactions exceeds the card's transaction limit.

The Partnership should update its policies and procedures to ensure they accurately represent the actual procedures in place and adequately govern the SPCC program.

Ensure Compliance with Employment Eligibility Requirements

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Partnership did not properly complete Employment Eligibility Verification Forms (Form I-9) in accordance with guidance issued by the U.S. Citizenship and Immigration Services of the Department of Homeland Security for new employees. For four of five employees tested, newly hired employees did not complete Section 1 of Form I-9 by the individual's start date. Further, for two out of five employees tested, the Partnership did not verify employment eligibility by running E-Verify reports within three days of employment.

The Immigration Reform and Control Act of 1986 requires that employers complete an I-9 form to verify both identity and employment eligibility for all employees hired after November 6, 1986. Additionally, the U.S. Department of Homeland Security's Guidance for Completing Form I-9 Handbook for Employers issued by the U.S. Citizenship and Immigration Services prescribes federal requirements for completing I-9 forms. Not complying with federal requirements could result in civil and/or criminal penalties and debarment from government contracts.

The Human Resources Director communicated that delays in completing Section 1 of the I-9 form and verifying employment eligibility were primarily caused by staffing limitations. For a majority of the fiscal year, there were only two individuals employed in the Human Resources department.

Consistent with internal audit recommendations, the Partnership should invest in additional Human Resources staff to ensure that all duties and responsibilities in the department are properly fulfilled. In addition, the Partnership should revise policies and procedures to ensure that Human Resources is completing and reviewing all aspects of the I-9 employment verification process for all employees in a manner that complies with federal regulations.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 30, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Virginia Economic Development Partnership

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Virginia Economic Development Partnership (Partnership) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled “Update Small Purchase Charge Card Policies and Procedures” and “Ensure Compliance with Employment Eligibility Requirements,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled “Internal Control and Compliance Findings and Recommendations” in the finding entitled “Ensure Compliance with Employment Eligibility Requirements.”

The Partnership’s Response to Findings

We discussed this report with management at an exit conference held on November 16, 2020. The Partnership’s response to the findings identified in our audit is described in the accompanying section titled “Partnership Response.” The Partnership’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

MSM/vks

January 11, 2021

Ms. Staci A. Henshaw
Auditor of Public Accounts
James Monroe Building
101 N. 14th Street
Richmond, Virginia 23219

Dear Ms. Henshaw:

The Virginia Economic Development Partnership (VEDP) has reviewed the findings and recommendations provided by the Auditor of Public Accounts as part of your audit of VEDP's financial records for the year ended June 30, 2020. VEDP appreciates the opportunity to respond to the *Internal Control and Compliance Findings and Recommendations* included in your report, and we give your comments the highest level of consideration.

Internal Control and Compliance Findings and Recommendations

Update Small Purchase Charge Card Policies and Procedures

VEDP acknowledges the importance of maintaining thorough and up-to-date policies and procedures. We have updated our Small Purchase Charge Card policies and procedures to accurately reflect the processes in place as well as to provide an improved structure to govern the program. Furthermore, we are providing related training sessions for all cardholders to help ensure compliance with the policies and procedures.

Ensure Compliance with Employment Eligibility Requirements

VEDP understands the importance of properly documenting and monitoring employment eligibility. Policies and procedures related to the I-9 employment verification process for all employees have been updated in VEDP's Human Resources Policies and Procedures Manual to help ensure compliance with regulations. Furthermore, as recommended in your report, we are investing in additional Human Resources staff to ensure that all related duties and responsibilities are properly fulfilled.

Sincerely,

Robert E. Grenell

Robert E. Grenell
Assistant Controller

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP

As of June 30, 2020

Board Members

Ned Masee, Chairman
Brian Ball, Vice Chairman

Carrie Chenery	April Kees
Daniel Clemente	Aubrey Layne, Jr.
Gregory Fairchild	Vincent Mastracco
Thomas Farrell, II	Anne Oman
Deborah Flippo	Dan Pleasant
Richard Harrell, III	Marianne Radcliff
William Hayter	John Reinhart
Xavier Richardson	

Partnership Officials

Stephen Moret, President/CEO
Jason El Koubi, Executive Vice President