Office of the City Auditor

“Promoting Accountability and Integrity in City Operations”

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City Auditor
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Deputy City Auditor

www.vbgov.com/cityauditor

Fraud, Waste, and Abuse Hotline 757.468.3330
November 30, 2018

To: Dorothy L. Wood, Chair of City of Virginia Beach Development Authority

Subject: Audit of City of Virginia Beach Development Authority

I am pleased to present the report of our audit of the City of Virginia Beach Development Authority (VBDA).

The objective of this audit was to determine if the proper operating controls have been established and delineated to distinguish clear operating procedures between the Department of Economic Development and the VBDA and that those procedures are being executed properly. This audit was scheduled and included as part of the City Auditor’s annual audit plan for FY 2018. The last time the City Auditor performed an audit of the VBDA was in December of 2007. The VBDA is audited annually by the external auditors.

Findings considered to be of insignificant risk have been discussed with management. We completed fieldwork on September 30, 2018.

The Office of the City Auditor reports to City Council through the City’s Audit Committee and is organizationally independent of all other City Departments. This report is intended solely for the information and use of the Audit Committee, City Council, the Virginia Beach Development Authority, the Department of Economic Development, and appropriate management. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the Department of Economic Development for their courteous and prompt assistance during our audit. The staff was receptive and excellent to work with.

If you have any questions about this report, or any audit-related issue, I can be reached at 385-5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias
City Auditor

c: David L. Hansen, City Manager
   City Council Members
   VBDA Commissioners
   Audit Committee Members
   Ronald H. Williams, Jr., Deputy City Manager
The Office of the City Auditor is an independent audit function reporting directly to the Virginia Beach City Council.

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Purpose

This audit was part of our FY 2018 Audit Schedule, the purpose of the audit was to determine if the proper operating controls have been established and delineated to distinguish clear operating procedures between the Department of Economic Development and the Virginia Beach Development Authority (VBDA) and that those procedures are being executed properly.

It should be emphasized that the VBDA and the Department of Economic Development are separate entities. The Department of Economic Development as a City department is subject to City controls and regulations, the VBDA has their own controls.

Scope & Objectives

The scope of the audit covered the most current audited fiscal year (FY) ending June 30, 2017, and for some items tested, the current fiscal year ending June 30, 2018. The objectives of our review were:

- To document the financial controls of the VBDA and assess the effectiveness of the design of those controls in place to reduce risk to an acceptable level, and to include the proper separation of VDBA transactions from those of the City.
- To select a sample of transactions and test the controls for compliance.
- To document and assess the design of the controls in place governing the disbursement of Economic Development Investment Program (EDIP) awards and to test those controls for compliance.

Methodology

To accomplish our objectives, we performed the following:

- Researched the VBDA and the Department of Economic Development websites, budget files, the most current external audit of the VBDA (2017), the 2017 and 2018 QuickBooks general ledgers of the VBDA and other relevant background information.
- Reconciled the 2017 VBDA general ledger with the 2017 external audit report.
- Obtained, reviewed, and documented the written VBDA controls and procedures currently in place.
- Obtained and reviewed the EDIP written policies and procedures with a focus on the procedures regarding the disbursement of the award.
- Obtained and reviewed the VBDA’s Informational Manual.
- Interviewed appropriate management and personnel.
- Attended and observed a VBDA board meeting.
Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City’s Audit Committee, City Council, the Virginia Beach Development Authority, the Department of Economic Development and appropriate management. This report will also be made available to the public.
Background

The Virginia Beach Development Authority (VBDA) was established by the Virginia General Assembly in 1964 as a component but legally separate unit of the City of Virginia Beach. The VBDA is a separate commission of 11 members appointed by the Virginia Beach City Council that governs the Authority and it is a component unit of the City for reporting purposes. The Authority’s purpose is to facilitate expansion of the City’s tax base through increased business investment and to create employment opportunities within the City. So while the VBDA is a component unit of the City and included in its audited Comprehensive Annual Financial Report (CAFR), the VBDA has its own separate annual audited CAFR as well. The Authority assists in the business/industry location and retention process by acquiring, developing and reselling land, issuing Industrial Revenue Bonds (IRB), and administering the Economic Development Investment Program (EDIP). Beginning in 1995, the Authority’s mission was expanded to include facilitating economic projects for the City in order to contribute to the City’s economic growth and financial health. This facilitation has been in the structuring of public-private partnerships between the City and private entities.

Control Overview

When considering the VBDA and its accounting and associated controls it should be recognized that the VBDA, as a separate entity has its own accounting software separate from the City – QuickBooks – and is a small accounting operation. Many of the transactions are large bond/debt transactions done by journal entry to mirror the City. The VBDA has no employees so there are no payroll transactions. There are no cash transactions; other than their annual golf outing. The books are kept on the cash basis and accruals are set up at year end for receivables and payables. Thus, there is a disbursement cycle and a revenue cycle (see procurement issue below) and their related controls.

As a small accounting operation nearly all of the accounting duties/functions are handled by the Department of Economic Development’s accountant (VBDA accountant). This fact can make segregation of incompatible accounting duties, a cornerstone of effective controls, challenging. Some segregation of duties does exist with the VBDA chair and the Project Development Coordinator performing some limited duties. However, the following compensating controls are in place, which help to mitigate some of the risk of consolidating most of the accounting functions with one person:

- The VBDA receives their own annual external audit.
- There are relatively few transactions and user friendly software and reports. It is easy to familiarize yourself with an entire year’s transactions in the general ledger quickly.
- The revenue transactions and account balances are easily tied to a specific lease, support agreement, and IRB schedule making them easy to verify and obvious if something is missing (ex. eleven lease payments instead of twelve).
• Very detailed accounting information is presented monthly to the commissioners at each board meeting.

Findings and Recommendations:

I. Financial Controls

We documented the VBDA financial controls in place and assessed the effectiveness of the design in reducing risk to an acceptable level. We selected 15 transactions to test compliance with the controls and noted no exceptions. We also traced every account balance in the 2017 general ledger to the 2017 audited financial statements without exception. The accuracy, organization, and backup documentation of the accounting records is very sound. We did note the following findings and recommendations regarding the design of the controls.

Finding 1: Disbursement Controls Documentation not updated

In prior years the VBDA made all of its disbursements via manual check and they had the related controls documented in a written format. They now make disbursements via three methods – manual check, ACH processing, and electronic checks. They do have controls in place for ACH and electronic check processing but do not have them fully documented.

Recommendation:

1.1 We recommend the Economic Development accountant in charge of VBDA accounting update the written Procedures Manual to include ACH and electronic check processing.

Finding 2: Monthly Bank Statement not reviewed by VBDA

As stated, most of the accounting functions of the VBDA are handled by one person in Economic Development which is a control weakness. We noted that some of this risk is mitigated by a number of compensating controls. Nonetheless, with disbursements the accountant is the only person with access/control of the software and checkbook, processes all transactions whether by ACH, electronic check or manual check, records the disbursements, opens and retains the bank statement and performs the bank reconciliation. It should be noted that the VBDA Chair, Vice Chair and Treasurer are authorized to review invoices and sign checks as well. The VBDA chair
does review all invoices, signs all manual checks, and invoices if paid electronically, signifying his review/approval.

**Recommendation:**

2.1 Because much of the disbursement cycle is consolidated with one person we recommend that the VBDA chair or designee, when performing his/her financial review of invoices, also review each prior monthly bank statement to verify the disbursements coming out of the bank account. There are not a voluminous number of transactions and this control is critical due to the level of segregation of duties in the disbursement cycle.

**Finding 3: ACH Process Control not in Place**

One of the controls in the ACH process is that all ACH payments require dual approval. The second approval (in addition to the accountant’s) is to be performed by the Project Development Coordinator who must login to his account to approve the ACH transfer. He receives the signed invoices and ACH printouts as backup prior to approving. This control was working, but recently the VBDA changed banks and currently there is not a dual approval process in place prior to the ACH transfer.

**Recommendation:**

3.1 We recommend that the Department of Economic Development continue to work with the new bank to implement dual approval prior to ACH transfer.

**II. Procurement and VBDA/City Risk**

As the Department of Economic Development’s employees also serve the VBDA there could be risk that funds could be comingled or transactions are not clearly delineated between the two entities. The Department of Economic Development is a City department and is subject to the City’s controls, directives, regulations and audits the VBDA is its own entity. The key risk would be if the City wanted to bypass City controls, the City could process a transaction of its own through the VBDA. We listed existing compensating controls for this and we have the following finding and recommendation to further reduce this risk and to achieve the required compliance with the Virginia Public Procurement Act (VPPA).

**Finding 4: No Procurement Policy in Place**

At this time there is no VBDA procurement policy—one needs to be adopted. This is largely due to the fact that most of the disbursements are project/debt/contract related and are procured at the City level. There is also a section in the Virginia Code – 2.2-4344 B. that exempts
Development Authorities from the VPPA compliance for many transactions related to their facilities. There can be times, when small item purchases may be needed to be purchased by the VBDA for its use and VPPA compliance would be the responsibility of the Authority but handled by Economic Development personnel.

Recommendation:

4.1 Adopt a written procurement policy (similar to the City’s) that requires the person authorizing any expenditure – either a project manager or other – to sign off that they authorize the expenditure, and that it is for VBDA, not the City (if it’s legitimately for joint use and paid for by the VBDA then consider it a VBDA purchase). The authorizing person’s signature is verifying that the purchase has met VPPA requirements by: 1) City procurement 2) Code section 2.2-4344 B exemption 3) VBDA compliance with VPPA through its written adopted policy for items not covered by 1) & 2) above - this would require maintaining appropriate documentation. We recommend having the policy reviewed by the City Purchasing division prior to final approval.

III. EDIP Expenditures

The City and the VBDA have in place an Economic Development Investment Program Policy and Procedures to govern all aspects of the EDIP program. The purpose of the program is to enhance the ability of the VBDA to foster and stimulate economic development in the City by inducing new businesses to locate in the City, and existing businesses to remain in the City or to expand their operations.

The EDIP portion of this audit focused on the actual payout requirements of the EDIP awards. Those requirements are found in Part D Section 3 of the Policy “Payment of EDIP Funds”:

“When EDIP funds are awarded pursuant to either Part A or Part B this Policy, they shall be paid to the authorized business or the owner or developer at such time as the Director shall:

(i) obtain copies of invoices /receipts from the business, or owner or developer showing the actual costs incurred for the purpose or purposes for which the funds are to be provided;

(ii) determine that the development or redevelopment is in conformity with the plan of development presented to the Authority and with all conditions which may have been attached to the approval of the award of the funds by the Authority; and
(iii) where required by the Authority, the business, or owner or developer shall execute and deliver to the Authority an EDIP Recapture Agreement in a form acceptable to counsel for the Authority.”

For FY 18, the VBDA paid out 39 award payments totaling $1,028,055 and for FY 17 paid out 31 awards totaling $989,099. For a complete listing of recipients see Appendix A.

![EDIP Award Payments](image)

Note: As mentioned earlier, the scope of this audit regarding the EDIP was concerned only with the procedures governing the actual payout of the awards. It should be noted that at the time of this audit an EDIP review committee is also reviewing the entire EDIP policies and procedures. The committee consists of representatives from City Council, the VBDA, the City Attorney’s Office, the Department of Economic Development and City management. We concur that this is an opportune time for the committee to review the entire program.

Finding 5: Full Grant Awarded without Meeting Original Approved Capital Investment Criteria

EDIP Policy and Procedure Part D: General Provisions Applicable to Parts A, B, and C, Section 3. Payment of EDIP Funds (ii) states: “When EDIP funds are awarded the Director “shall determine that the development or redevelopment is in conformity with the plan of development presented to the Authority and with all conditions which may have been attached to the approval of the award of the funds by the Authority.”

We noted in one EDIP grant that a recipient (Urology of VA) was awarded the full grant amount of $150,000 even though their capital investment was not in conformity with the plan of development originally presented to the VBDA. The initial date of the award was December 17, 2013 with an expiration date of December 17, 2016.
While Urology of VA did meet the minimum capital investment formula as specified in the policy and resolution (see below) to qualify for the $150,000 grant, the actual capital investment was below what was presented and originally approved by the Authority. It should be noted that (per the November 21, 2017 VBDA minutes) the Authority was briefed concerning the company falling short of the stated capital investment, but fell within the minimum criteria and the Authority endorsed giving them the entire grant.

As the EDIP deals are now structured, it is not clear and transparent to the company/public/the Council/VBDA what the actual investment criteria the company will be held to in order to receive the full award. The company’s EDIP application and the power point presentation made to the VBDA on which they vote to approve the award resolution will state a certain performance criteria dollar amount. This is the investment the company says they will make to receive the award and what we attempt to track and hold them to. However, the actual award resolution itself does not mention or contain that target investment amount or it only has the amount of the award itself and the repeated minimum criteria formula in the EDIP Policy and Procedures states: “for every dollar of EDIP funds received, Recipient shall make a new capital investment of at least twenty five dollars”. Thus, we attempt to hold them to what they originally promised but we sometimes give them the entire award if they only meet what the minimum required, per formula contained in the policy/resolution. Thus, some companies are held to the application/tracked amount presented to the VBDA while others, when they couldn’t meet that criteria, are only be held to the minimum requirements and still received the full award.

**Recommendations:**

5.1 If the company receiving the award cannot meet the original investment performance criteria they included in their application and on which the Commissioners approved the award, the commissioners should re-vote (as they did with Urology of VA) to approve the award at the revised level by which the Director of Economic Development is recommending (having met the minimum formula). The revised amount deemed adequate to receive the award may be substantially different from the original arrangement that voted on and announced to the public.

5.2 The City Attorney and the VBDA should work to increase the consistency and clarity regarding the performance criteria as expressed in the EDIP application, the power point presentation made to the VBDA and on which they voted, the award resolution, and the VBDA performance criteria tracking system.
Finding 6: Grant Awarded without Meeting Criteria of “New” Capital Investment

Economic Development Investment Program Policy and Procedure Part A Section 2.b “Investment Criteria” states: “For every one dollar ($1) in EDIP funds provided, the business to which such funds are provided will spend twenty-five dollars ($25) or more in new capital investments, including buildings, furnishings, and/or equipment.”

We noted in one EDIP grant that the recipient (Global Technical Systems) received the first portion of their award ($30,937 of $125,000) in May of 2017 by merely submitting their current personal property listing. The listing had assets put in place from 1997 through 2016 all before the award was even granted in April of 2017 with an expiration date of April 18, 2020. There was no documentation that any new capital investment was made with this initial disbursement of the award. Nevertheless, Economic Development accepted that as verification of new capital assets and paid out a portion of the award.

Recommendation:

6.1 Economic Development adhere to the EDIP Policies and Procedures, the EDIP award resolutions and remit grant awards only after the criteria are met- specifically the requirement that investments of capital assets be new, not existing, capital assets.

Finding 7: Full Verification of Capital Investment was not performed

The EDIP Policies and Procedures Part D #3 “Payment of EDIP Funds” states: “When EDIP funds are awarded pursuant to either Part A or Part B this Policy, they shall be paid to the authorized business or the owner developer at such time as the Director shall (i) obtain copies of invoices/receipts from the business, or developer showing the actual costs incurred for the purpose or purposes for which the funds are to be provided.”

We noted in an EDIP grant that the recipient (Green Flash Brewing Company) received the full amount of the EDIP Grant of $275,000, but the full costs of expected capital investment were not fully verified. The award was originally granted on March 19, 2013 with an expiration date of March 19, 2017.

<table>
<thead>
<tr>
<th>Expected Capital Investment Presented to VBDA</th>
<th>Actual Capital Investment Verified</th>
<th>Remaining Amount not Correctly Verified</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,293,021</td>
<td>$9,077,886</td>
<td>$11,215,135</td>
</tr>
</tbody>
</table>

Green Flash’s performance criteria was to be a capital contribution of $20.2M. Through review of documentation, Economic Development was able to verify that Green Flash invested $9.1M in equipment and machinery for the brewery.
In verifying that contribution Green Flash submitted a detailed listing of invoices (and access to them) for $9.1M for the equipment and machinery for the brewery – this was paid by Green Flash and properly verified.

However, the remaining $11.2M being claimed for development cost (acquiring the land and building the facility) was not supported by actual invoices or other forms of documentation. The documentation used to verify the $11.2M was a short summary “estimate” of projected costs stated in the Development Agreement. Actual costs incurred were never provided to Economic Development. The VBDA accountant indicated that GF of Va. LLC (The development company Green Flash hired) did not provide actual cost data for the $11.2M and would not provide the full development agreement citing proprietary information. Nevertheless, the full amount of the EDIP was awarded to Green Flash. In addition, the $11.2M development costs were incurred by “GF of Va. LLC”, the development company Green Flash entered into an agreement which to acquire the property and build the facility.

Note: While the names are similar Green Flash and “GF of Va. LLC“ are two separate entities.

It should be noted that the award resolution, like most, reads as follows: “that disbursement of EDIP funds by the Authority shall be at the discretion of the Director of the Development of Economic Development of the City of Virginia Beach or his designee (the “Director”), who shall be authorized to require appropriate verification as to qualifying expenditures.”

This gives the Director of Economic Development total discretion on what to accept as verification for the performance criteria and thus the EDIP policy noted above does not have to be followed.

Recommendations:

7.1 Require that the award resolution, in the event a company receives an EDIP award and chooses to utilize a developer or subcontractor, that the contractor must allow the City full access, like the award recipient, to their records needed to verify the capital cost investment as part of the performance criteria to receive the contract. This requirement should be added to the EDIP policies and procedures as well.

7.2 Reword EDIP Part D#3 to require full access to all records supporting the verification of the performance criteria, but allow for the use of sampling, materiality and judgement (discretion) in deciding acceptable verification methodology for each award more like an audit clause. This coupled with the short verification summary report mentioned in recommendation 7.3 will be more reasonable, efficient and congruent with the Director’s discretion cited in the award resolutions.
7.3 Acknowledging that there are times when flexibility and discretion are needed to promote growth, for accountability and transparency we recommend that a short summary report be prepared by the accountant performing the verification at the time of each EDIP award disbursement, communicating what verification steps were taken and deemed satisfactory and include that in the monthly financial packet presented to the Commissioners.

IV. VBDA Meetings

Finding 8: Increase viewing options for VBDA Meetings

The VBDA meets on the third Tuesday of every month at 8:30 AM. The meeting location is 4525 Main Street, Suite 700, Virginia Beach, VA 23462. Many significant decisions impacting citizens and businesses are made at the VBDA monthly meetings including discussion and votes relating to the issuance of bonds, Economic Development Incentive Program, workforce development, project development, and business development. Currently, unlike City Council or the Planning Commission meetings, the VBDA meetings are not broadcasted to the public either live or taped. Thus, those interested in the discussions and votes conducted by the VBDA must either attend a meeting in person or review the minutes.

<table>
<thead>
<tr>
<th>Viewing Options</th>
<th>VBDA</th>
<th>City Council</th>
<th>Planning Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live on VBTV Cox Cable Channel 48 and Verizon Cable Channel 45</td>
<td>X</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Replay on Cox and Verizon</td>
<td>X</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Live on VBgov.com e Stream page (<a href="http://www.vb.gov.com/media">www.vb.gov.com/media</a>)</td>
<td>X</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Live on City Facebook page</td>
<td>X</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

Recommendation:

8.1 To promote greater transparency we recommend that the VBDA and the City develop a plan to be able to broadcast to the public all VBDA meetings similar to what is being offered for City Council and Planning Commission meeting.

Note: The City’s Communications Office has already commenced a process to study and implement additional viewing options to the public.
V. VBDA Financial Statements

Annually, the VBDA prepares financial statements which are audited by an external CPA firm. The results of the most recent audit report were issued by Clifton Larson Allen LLP on November 17, 2017. All prior year audited financial statements can be found on the VBDA website located here: https://www.yesvirginiabeach.com/about-us/Pages/development-authority.aspx.

Finding 9: Remit unused CIP Funds back to the City

While the scope of our audit was not a financial audit, in reviewing the above referenced VBDA financial statements and in discussion with the VBDA Accountant, we determined that there are at least three CIP projects which are closed or inactive yet have unused funding. The remaining funding for these CIP projects should be transferred back to the City so it can be utilized for high priority projects such as flooding.

<table>
<thead>
<tr>
<th>CIP Project</th>
<th>CIP Project</th>
<th>CIP Remaining Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Design of Town Center Pedestrian Bridge across Virginia Beach Blvd.</td>
<td>$120,862.00</td>
</tr>
<tr>
<td>2</td>
<td>Burton Station</td>
<td>$10,496.00</td>
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<tr>
<td>3</td>
<td>ITA Study</td>
<td>$88.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$131,446.00</strong></td>
</tr>
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</table>

Recommendation:

9.1 The VBDA accountant work with the City Comptroller to promptly return the $131,445 to the City for the above closed/inactive CIP projects.
Conclusion

The accounting quality for the VBDA is excellent. The recommendations we made will further strengthen the controls over disbursements and procurement. The EDIP procedures and controls concerning the establishment of the performance criteria to receive the EDIP awards and the verification process of that criteria need to clarified and we have offered recommendations to do so.

Acknowledgements

We would like to thank the Department of Economic Development, the VBDA, and Office of the City Attorney for their assistance during our audit. They were open to our suggestions, requests and recommendations and were very accommodating and worked promptly and professionally with us throughout the audit.
<table>
<thead>
<tr>
<th>GRANT RECIPIENT</th>
<th>GRANT AMOUNT</th>
<th>DATE APPROVED</th>
<th>AMOUNT OF PAYMENT</th>
<th>DATE OF PAYMENT</th>
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1,028,055.00

* - Grant recipient never received the 8/11/17 payment. Check was cancelled and reissued on 2/16/18.
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989,099.00
INTER-OFFICE MEMORANDUM

DATE: November 30, 2018

TO: Lyndon Remias, City Auditor

FROM: Ronald H. Williams, Jr. Deputy City Manager on behalf of the Chair of the Virginia Beach Development Authority

SUBJECT: Response to the Audit of the Virginia Beach Development Authority

This memo is the Department of Economic Development’s response to the Office of the City Auditor’s formal audit of the Virginia Beach Development Authority VBDA. As is noted within the audit report, the VBDA has no employees and relies on the staff of Department for support. The below details outline the planned Department actions to incorporate the findings of the Audit Report.

Recommendation:
1.1 The Economic Development accountant in charge of VBDA accounting should update the written disbursement controls to include ACH and electronic check processing.

Department Action:
- Agreed and Completed. The accountant has updated the procedures manual that explains how ACH and electronic checks are processed. This same manual has been revised to comply with Recommendation 3.1 (see below).

Recommendation:
2.1 The VBDA chair or designee, when performing their financial review of invoices, also reviews each prior monthly bank statement to verify the disbursements coming out of the bank account.
Department Action:
- Agreed. The VBDA chair, Vice-chair, or Treasurer are authorized to review invoices and approve disbursements. One of these officers, or the Director, will review the monthly bank statements.

Recommendation:
3.1 Economic Development accountant continue to work with the new bank to implement dual approval prior to ACH transfer.

Department Action:
- Agreed and Completed. The bank has been contacted and the Project Development Coordinator has ACH transfer approval rights.

Recommendation:
4.1 Adopt a written procurement policy that requires persons authorizing expenditures to sign off that they authorize and that it is for VBDA not the City. The authorizing person’s signature is verifying that the purchase has met VPPA requirements.

Department Action:
- Agreed. These recommendations will be accomplished by utilizing the City’s already established Procurement Practices, as reflected in the revised bylaws to be enacted by the Development Authority.

Recommendation:
5.1 Commissioners should re-vote to approve awards at revised levels when being recommended by the Director of Economic Development.
5.2 The City Attorney and VBDA should work to increase the consistency and clarity regarding the performance criteria as expressed in the EDIP application, the Power Point presentation made to the VBDA and on which they voted, the award resolution, and the VBDA performance criteria tracking system.
6.1 Economic Development adhere to the EDIP Policies and Procedures and remit grant awards only after the criteria are met – specifically the requirement of capital assets being new, not existing.
7.1 Require that in the event a company receives an EDIP award and chooses to utilize a developer or subcontractor, that the contractor must allow the City full access to their records needed to verify the capital investment.
7.2 Reword EDIP Part D#3 to require full access to all records supporting the verification of the performance criteria, but allow for the use of sampling, materiality and judgement is deciding acceptable verification methodology for each award.
7.3 A short summary report should be prepared by the accountant performing the verification at the time of each EDIP award disbursement, communicating what verification steps were taken and deemed satisfactory and include that in the monthly financial packet presented to the VBDA.

Department Action:
- Agreed. The City Attorney’s Office, Development Authority liaisons and other City staff have also been reviewing the EDIP policies and proposed changes are expected to be presented to the VBDA and City Council in January 2019.
**Recommendation:**
8.1 VBDA and the City develop a plan to be able to broadcast to the public all VBDA meetings similar to what is being offered for City Council and Planning Commission meetings.

**Department Action:**
- Agreed. Media Communications has been analyzing options for the logistics of being able to broadcast meetings. Recommended options will be considered for implementation in January 2019.

**Recommendation:**
9.1 The VBDA accountant works with the City Comptroller to promptly return the $131,445 to the City for any closed/inactive CIP projects.

**Department Action:**
- Agreed. The Comptroller and Principal Accountant have been contacted and will provide guidance on how to return or reprogram unused funding, in accordance with established City policies.

The audit report concluded that the accounting quality for the VBDA is excellent, but that the EDIP procedures and process need clarification. The recommendations offered and actions taken will do so.

Please accept our appreciation for completing this independent review, as well as for the professionalism displayed by yourself and Chris Ford.

RHWJR