

Recommendations: Management and Accountability of the Virginia Economic Development Partnership

RECOMMENDATION 1

The General Assembly may wish to consider amending the Code of Virginia to require the Virginia Economic Development Partnership (VEDP) board of directors to develop and regularly update a strategic plan for VEDP. At a minimum, the process to develop and revise VEDP's strategic plan should occur every three years and should include a systematic assessment of how VEDP can best add value through each of its statutory responsibilities. The strategic planning process should include VEDP's key economic development partners, including state, regional, and local organizations with economic development programs. The strategic plan should include specific goals, objectives, and strategies, and quantifiable metrics for each goal and objective. VEDP should report on its progress toward meeting its goals and objectives annually through its operating plan, as required by Item 125 B of the Appropriation Act. (Chapter 2)

RECOMMENDATION 2

The Virginia Economic Development Partnership (VEDP) should ensure that all staff receive formal onboarding training within 30 days of their start date. VEDP should collect feedback through annual staff evaluations on the types of skills training that staff need, and provide such skills training annually. (Chapter 2)

RECOMMENDATION 3

The Virginia Economic Development Partnership (VEDP) should develop and implement formal, written policies and procedures that outline (i) what services staff are expected to provide, (ii) the steps staff should take to provide them, and (iii) under what circumstances staff should coordinate with other VEDP staff or external entities. (Chapter 2)

RECOMMENDATION 4

The Virginia Economic Development Partnership (VEDP) should incorporate an expectation into supervisors' annual evaluations that they (i) provide new staff with their job expectations within 30 days of their start date and (ii) provide existing staff with their job expectations by October 1st of each fiscal year. VEDP should report annually to its board the percentage of staff that receive their job expectations within the established deadlines. (Chapter 2)

RECOMMENDATION 5

The Virginia Economic Development Partnership (VEDP), in collaboration with its board, should establish new, more accurate agency-wide performance metrics that better reflect VEDP's economic development activities, service quality, and impact. (Chapter 2)

RECOMMENDATION 6

The Virginia Economic Development Partnership (VEDP) should develop standard definitions for all data fields in its system and implement mechanisms to restrict incorrect data entry. VEDP should ensure that staff receive data entry training at onboarding and at least once every two years. (Chapter 2)

RECOMMENDATION 7

The Virginia Economic Development Partnership should track when staff arrive and depart every day and establish a warning system and penalties for staff who do not report to work on time or do not work the hours prescribed in agency policy. (Chapter 2)

RECOMMENDATION 8

The Virginia Economic Development Partnership should (i) use the time allocation system that is managed by the Department of Human Resource Management; (ii) require staff to use the system to report their time worked and activities performed each day; and (iii) use the data collected to assess the allocation of staff resources and redirect as appropriate to efficiently and effectively meet agency objectives. (Chapter 2)

RECOMMENDATION 9

The Virginia Economic Development Partnership (VEDP) should request a review by the International Economic Development Council of staff performance metrics to ensure they are measurable and appropriate to hold staff accountable. VEDP staff should report the results of the review and any changes made to the VEDP board of directors for their review. (Chapter 2)

RECOMMENDATION 10

The Virginia Economic Development Partnership (VEDP) should revise its performance evaluation process to include an assessment of staff adherence to agency policies and statutory requirements. VEDP should establish and enforce penalties for staff who do not follow agency policies or statutory requirements. (Chapter 2)

RECOMMENDATION 11

The Virginia Economic Development Partnership (VEDP) board of directors should require staff to systematically collect and assess the perspectives of VEDP's economic development partners on how VEDP could more effectively coordinate its services with other organizations and encourage coordination within the broader economic development system. The survey should be conducted at least once every two years. VEDP should report the results of all surveys to its board and use the results to tailor its future services and program offerings. (Chapter 2)

RECOMMENDATION 12

The Virginia Economic Development Partnership (VEDP) should develop and adhere to a written annual marketing plan that includes, at a minimum, (i) an identification of VEDP's specific and measurable marketing goals; (ii) specific activities and timetables to achieve the goals; (iii) the resources and staff allocated to the marketing activities; and (iv) how VEDP will evaluate the effectiveness of its marketing activities. The plan should concentrate goals and activities on marketing to industries that align with the statewide economic development strategy, the state's available economic development assets, and the priorities of other state, regional, and local economic development entities. The plan should include strategies for how VEDP will accomplish its goals in coordination with state, regional, and local marketing organizations. (Chapter 3)

RECOMMENDATION 13

The Virginia Economic Development Partnership (VEDP) should establish and require marketing staff to attend an annual training that provides instruction on VEDP's marketing message, how staff should communicate this message to customers, and the process for getting marketing materials approved. VEDP should include a measure of whether staff have complied with training requirements and the approval process in their performance evaluations. (Chapter 3)

RECOMMENDATION 14

The Virginia Economic Development Partnership (VEDP) should develop and implement a formal process to regularly and systematically evaluate the effectiveness of its marketing initiatives, and use this information to redirect resources away from ineffective activities as appropriate. VEDP should provide its board of directors with a report on the effectiveness of its marketing initiatives at least once per quarter. (Chapter 3)

RECOMMENDATION 15

The Virginia Economic Development Partnership should update its site and buildings database to ensure that it meets the site selection data standards established by the International Economic Development Council and include details on the percentage of the data standards met in its annual reports to its board of directors. (Chapter 3)

RECOMMENDATION 16

The Virginia Economic Development Partnership (VEDP) should improve the transparency of its marketing performance measures that are reported to its board of directors by showing, at a minimum, (i) the percentage of announced projects that were initially identified by VEDP through its own marketing efforts versus those that were brought to VEDP by another entity, and (ii) the nature and degree of VEDP's involvement in projects reported having received VEDP assistance. (Chapter 3)

RECOMMENDATION 17

The Virginia Economic Development Partnership (VEDP) should develop formal mechanisms to support ongoing coordination and communication between its marketing and export promotion services and measure the success of these mechanisms. VEDP should report these measures of success at least annually to its board of directors. (Chapter 3)

RECOMMENDATION 18

The Virginia Economic Development Partnership (VEDP) should collect and use more detailed information about the characteristics of companies accessing export promotion services and use this information to ensure that the types of business receiving export-promotion services reflect the diversity of Virginia's export-capable industries. At minimum, this information should include company-level information on industry sector, number of employees, product types, and average export sales. VEDP should also maintain comparable export growth data for each of its export promotion programs, including both projected and actual export growth. VEDP should report this information to its board at least once per year. (Chapter 3)

RECOMMENDATION 19

The Virginia Economic Development Partnership (VEDP) board of directors should work with VEDP staff to develop written policies and procedures to standardize VEDP's process for evaluating projects that are considered for incentives. The new policies and procedures should ensure that VEDP is appropriately and consistently prioritizing the use of incentives toward projects that create quality jobs and have the greatest economic benefit for Virginia's regions. The policies and procedures should clearly describe the criteria and methods to be used to assess projects for incentives funding. Criteria should include an assessment of each project's expected level of increased exports from the state, employment multiplier, and wages compared to regional industry averages. (Chapter 4)

RECOMMENDATION 20

The Virginia Economic Development Partnership (VEDP) board of directors should require VEDP to report to them annually on the percentage of companies that fulfilled their contractual requirement to report their progress towards meeting performance requirements. (Chapter 4)

RECOMMENDATION 21

The Virginia Economic Development Partnership (VEDP), with the assistance of staff at the Virginia Department of Taxation and Virginia Employment Commission, should develop and consistently follow policies and procedures to verify job creation and wage claims of companies receiving incentive grants administered by VEDP. These policies and procedures should require VEDP staff to conduct periodic audits of company performance to verify project performance data and be sufficiently detailed to enable staff to verify company claims consistently and effectively while limiting staff discretion where appropriate. (Chapter 4)

RECOMMENDATION 22

The Virginia Economic Development Partnership (VEDP) board of directors should ensure that VEDP develops and implements formally documented performance verification procedures for staff to follow to ensure that grant recipients are meeting their expected performance requirements in accordance with established performance agreements. (Chapter 4)

RECOMMENDATION 23

The General Assembly may wish to amend the Code of Virginia to require Commissioners of the Revenue to provide the Virginia Economic Development Partnership (VEDP) with the real estate tax, business personal property tax, and machinery and tools tax information for companies that have received incentive awards, in accordance with performance agreements. Such information shall be marked and considered confidential and proprietary and shall be used by VEDP solely for purposes of verifying capital investment claims. (Chapter 4)

RECOMMENDATION 24

The Virginia Economic Development Partnership (VEDP) board of directors should require VEDP to develop and use standard policies and procedures that clearly explain when and how staff should enforce clawback provisions. Enforcement should be consistent and effective for all companies that do not meet their contractual obligations, including wage requirements. The board should require VEDP staff to report regularly to the full board on each project that is subject to a clawback and the repayment status for each project that is subject to a clawback. (Chapter 4)

RECOMMENDATION 25

The Virginia Economic Development Partnership (VEDP) board of directors should require VEDP to develop and implement policies and procedures to ensure that all performance extensions, whether granted by VEDP or localities, are consistent with statute (§ 2.2-115 of the Code of Virginia) and that justifications for the performance extensions are documented. The board should require VEDP staff to report all extensions granted to the full board for review. (Chapter 4)

RECOMMENDATION 26

The Virginia Economic Development Partnership (VEDP) should create a separate division in VEDP that is solely responsible for incentives administration and assign at least three staff to administer incentives. VEDP should ensure all staff employed in this function have the qualifications and training necessary to perform the work assigned to them. (Chapter 4)

RECOMMENDATION 27

The Virginia Economic Development Partnership (VEDP) should increase the transparency of its incentive grant programs by developing a user-friendly website to more transparently report the status and performance of grant programs and of each project that has received an incentive grant through VEDP. The website should include, at a minimum, information on expected versus actual performance, the performance period, all extensions granted, and all repayments required of and made by grant recipients. Information should be provided for each project and also be aggregated and reported for each program administered by VEDP. (Chapter 4)

RECOMMENDATION 28

The General Assembly may wish to consider amending the Code of Virginia to establish a Board of Economic Development, whose purpose is to provide ongoing and systematic planning, advice, and direction for the state's economic development system to improve coordination of activities and its efficiency and effectiveness. Membership of the Board of Economic Development should include a representative from each of the secretariats responsible for agencies with economic development programs, at least one member of the House of Delegates, at least one member of the Senate, one director of a local economic development organization, and one director of a regional economic development organization. The Board of Economic Development should be a policy board, as defined in § 2.2-2100, and have full-time, independent staff for the purposes of executing its responsibilities. (Chapter 5)

RECOMMENDATION 29

The General Assembly may wish to consider including language in the Appropriation Act to fund a full-time, independent staff for the purposes of supporting the Board of Economic Development in fulfilling its responsibilities. The Department of Planning and Budget should assist in determining the number of staff necessary to provide this support. (Chapter 5)

RECOMMENDATION 30

The General Assembly may wish to consider including language in the Appropriation Act to direct state agencies to collaborate with the Board of Economic Development to develop and define standard categories of economic development program activities to use when tracking economic development program expenditures and reporting these expenditures to the Board of Economic Development. The General Assembly may wish to consider amending the Code of Virginia to require state agencies and encourage regional and local entities to adopt these categories. (Chapter 5)

RECOMMENDATION 31

The General Assembly may wish to consider amending the Code of Virginia to establish a State, Regional, and Local Advisory Team tasked with advising the Board of Economic Development on opportunities to improve the coordination, efficiency, and effectiveness of the state's economic development system. The State, Regional, and Local Advisory Team should provide advice to the Board of Economic Development on how to adapt economic development strategies to reflect changes in Virginia's regions and industries. The Advisory Team should be appointed by the Board of Economic Development and include the directors of state agencies engaged in economic development (minimum of 6), directors of regional economic development organizations (minimum of 4), directors of local economic development organizations (minimum of 4), and representatives of the business community (minimum of 4). One regional and one local director should also be appointed to the Board of Economic Development. (Chapter 5)

RECOMMENDATION 32

The General Assembly may wish to consider amending the Code of Virginia to explicitly state that the Virginia Economic Development Partnership (VEDP) board of directors is a supervisory board and is responsible for ensuring that VEDP executes all of its statutory responsibilities efficiently and effectively. (Chapter 6)

RECOMMENDATION 33

The General Assembly may wish to consider amending the Code of Virginia to include minimum qualifications and competencies for the Virginia Economic Development Partnership (VEDP) board of directors. The VEDP statute could be amended to require that at least 15 of the 18 appointees to the board possess experience in the areas of marketing (four members), international commerce (four members), finance or grant administration (two members), and state, regional or local economic development (five members). The remaining three appointees should possess experience in the fields of law, higher education, information technology, transportation, or workforce development. (Chapter 6)

RECOMMENDATION 34

The Virginia Economic Development Partnership (VEDP) board should create an internal audit division that reports directly to the board. The board should control the staffing, funding, and activities of the new internal audit division. Responsibilities for the division should include, at a minimum, (i) verifying information presented to the board is valid and comprehensive, (ii) identifying opportunities to improve the efficiency and effectiveness of agency operations, (iii) ensuring policies and procedures are being followed by staff, (iv) monitoring and reporting on the status of the implementation of recommendations in this report, and (v) carrying out other periodic and routine board-directed audit activities. Funding and spending related to the internal audit division should be included as a separate line item in VEDP's budget and expense reports. (Chapter 6)

RECOMMENDATION 35

The General Assembly may wish to consider including language in the Appropriation Act to (i) withhold the additional \$1.5 million appropriated to the Virginia Economic Development Partnership (VEDP) in FY18 to support VEDP's domestic and international marketing activities, to expand and rebrand the Virginia Jobs Investment Program, and to implement the Sustained Growth Program; (ii) make any increase in future VEDP appropriations (with the exception of funds necessary to implement recommendations) contingent on the VEDP board's execution of necessary improvements, as indicated by the implementation of this report's recommendations; and (iii) require the VEDP Chief Executive Officer and the Chair of the VEDP board to report, separately, to the Chairs of the House Appropriations and Senate Finance Committees on improvements made and progress towards implementing report recommendations directed at VEDP staff and its board no later than November 1, 2017. (Chapter 6)
