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OHIO DEVELOPMENT SERVICES AGENCY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

David Goodman, Director
Ohio Development Services Agency
77 South High Street, 29th Floor
Columbus, OH 43216-1001

We have performed the procedures enumerated below, to which the Ohio Development Services Agency (formerly the Ohio Department of Development, referred to throughout this report as DSA), agreed, solely to assist DSA in evaluating the use of the monies and documentation submitted to DSA under the JobsOhio Agreement dated January 30, 2012, and the use of the monies and documentation submitted to DSA under the Ohio Business Development Coalition (OBDC, which was renamed as JOBS effective January 20, 2012) Grant Agreement (ADMN 10-066), and all related amendments, for the period June 1, 2010 through December 31, 2012. Our procedures related to transactions processed by JobsOhio and OBDC/JOBS in conjunction with these agreements through December 31, 2012, as well as their repayment of funds to DSA on April 5, 2013.¹ DSA is responsible for evaluating the documents provided to it by JobsOhio and OBDC/JOBS and ensuring they complied with the terms of the JobsOhio Agreement and the Grant Agreement and its related amendments, making the payments required under these agreements, and accepting and depositing the amounts repaid by JobsOhio and JOBS. We conducted this agreed-upon procedures engagement in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of DSA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

¹ During the period of our agreed-upon procedures, DSA, JobsOhio, and JOBS experienced certain name changes, initiated and modified certain contracts and grant agreements, and subsequently returned certain grant and contract awards to the State of Ohio. Therefore, the Exhibit to this report includes a timeline of significant events relevant to our agreed-upon procedures to provide additional clarity for the users of this report.

Procedures Related to the JobsOhio Agreement

Section I: Initial Payments

Section 5 of Amended Substitute House Bill No. 1 of the 129th Ohio General Assembly, as amended by Section 605.10 of the Amended Substitute House Bill No. 153, authorized DSA to make initial payments of up to \$1 million to JobsOhio for start-up costs. As a result, DSA executed a contract for services with JobsOhio (in conjunction with the Direct 166 Loan Program requirements included in Section II of this report), referred to throughout the report as the Agreement. The following procedures were designed to verify certain requirements related to these initial payments. For purposes of the procedures in Section I of this report, we reviewed initial payments made by JobsOhio and DSA (on behalf of JobsOhio) from July 5, 2011 through July 30, 2012.

- (a) To establish the population for the procedures related to initial payments reported to the Ohio legislature, we obtained the vouchers pertaining to payments made by DSA for the "initial payments". We agreed the amounts on the vouchers to payment transactions posted to the State's Accounting System (the Ohio Administrative Knowledge System or OAKS) related to the "initial payments".
- (b) We summed the "initial payments" in OAKS, compared the total to the \$1 million amount allowed per the Agreement, and identified no differences.
- (c) To ensure the amounts paid by DSA matched the total on the supporting invoices, we agreed the "initial payments" in OAKS to the invoices received from JobsOhio. We noted that DSA received only one invoice from JobsOhio in the amount of \$808,221. DSA received approval from the State's Controlling Board to waive the Ohio Revised Code section 127.16 competitive bidding requirements related to this payment. The remaining \$191,779 of the \$1 million of "initial payments" consisted of disbursements DSA made directly to vendors on behalf of JobsOhio related to certain start-up costs (computers, equipment, supplies, insurance, etc.), which we also agreed to invoices provided by DSA.
- (d) We obtained the reports submitted by DSA management to the Controlling Board related to the "initial payments", along with any supporting documentation provided by JobsOhio to support such reports, as required by Section 11 (b) of the Agreement. We identified three reports submitted to the Controlling Board dated August 17, 2011, February 8, 2012, and July 31, 2012.

We agreed the activity on these reports to the documentation supporting payments made by JobsOhio (invoices, purchase orders, agreements, allowable costs defined by house bill 153, and other relevant documentation within the voucher packet) detailing the use of these start-up funds. The reported activity agreed to the support, except as identified below.

- The August 17, 2011, report did not match the invoice support for one of the purchases. The report was based on the purchase order price, which was \$400 more than the actual invoice received after DSA submitted the report to the Controlling Board. DSA subsequently adjusted the \$400 variance on the February 8, 2012, Controlling Board report since the reports were prepared on a cumulative basis.
- The July 31, 2012, Controlling Board report detailed the use of the \$1 million under the terms of the Agreement for start-up costs. This report identified a total of \$988,113 in expenses (which were made by JobsOhio and DSA on behalf of JobsOhio)

Section I: Initial Payments (Continued)

and \$11,887 in refunds. This refund related to the repayment of unspent start-up costs on July 31, 2012 from JobsOhio to DSA. Therefore, the actual expenditures made by JobsOhio through July 31, 2012, were \$796,334 (the \$808,221 initial payment to JobsOhio less the \$11,887 in unspent start-up costs).

- The \$796,334 in expenditures from the July 31, 2012, report agreed with the total of the checks written by JobsOhio and to the invoice support for all but two of the purchases, as follows:
 - On January 9, 2012, JobsOhio paid \$8,712 related to IT network goods and services. These same items were also included on an invoice dated February 13, 2012, totaling \$11,136, which JobsOhio paid in full to the vendor on March 1, 2012. Based on inquiry with the vendor, the duplicate payment was caused by the primary contractor subcontracting the work to a second contractor. JobsOhio paid both the primary contractor, based on the original price quote, and the subcontractor, based on the actual invoice.
 - JobsOhio received an invoice, dated February 7, 2012, for \$112,413. However, a handwritten note included with the billing detail identified a total calculation and amount paid by JobsOhio of \$111,663, which was \$750 less than the amount printed on the invoice. There was no information included in the support to explain the reason for the handwritten calculation or the difference in the amounts.
 - We also noted that for one of the invoices related to the July 31, 2012, Controlling Board report, the vendor incorrectly calculated the invoice total, based on the number of hours billed and the cost per hour listed. JobsOhio paid the total shown on the invoice, which was \$14 less than the amount we re-calculated based upon the information included in the supporting vendor invoice.
- (e) We obtained the revenue receipt and related supporting documentation for the repayments of the initial payments made by JobsOhio to DSA. We summed the amounts repaid and compared the total to the total of the initial payments made by DSA obtained in step (a) above without exception.
- (f) We identified the OAKS fund for the deposits described in step (e) above and compared it to the OAKS fund used to make the payments described in step (a) above to vouch whether DSA recorded the repayments in the same funds in OAKS that were used to make the original payments. We confirmed the entire \$1 million was originally paid by DSA from the GRF fund. DSA deposited the first repayment of \$11,887 (unspent start-up costs returned by JobsOhio) to the GRF fund on August 2, 2012. The second repayment of \$988,113 (related to start-up costs paid by JobsOhio and by DSA on behalf of JobsOhio) was initially deposited by DSA into Fund 4F20 on April 5, 2013. On April 11, 2013, DSA transferred the \$11,887 from the first repayment to Fund 4510 and transferred the \$988,113 from the second repayment to the GRF fund. On April 22, 2013, DSA transferred the \$11,887 from the first repayment back into the GRF fund. After these adjusting/correcting entries all of the initial start-up costs paid to or on behalf of JobsOhio were fully repaid by JobsOhio to DSA's GRF Fund, the fund that originally made the initial payments to JobsOhio.

Section II: Direct 166 Loan Program Fee Payments

DSA's Direct 166 Loan Program provides low-interest loans to businesses creating new jobs or preserving existing employment opportunities in the State of Ohio. DSA requested Controlling Board approval to execute a contract with JobsOhio to assist DSA with providing services or otherwise carrying out the functions or duties of the department, including the operation and management of the Direct 166 Loans Programs. Under the Agreement for Services, which provided for the initial payments from Section I of this report, JobsOhio was required to collect and remit to DSA commitment and application fees, for which JobsOhio was paid a fee.

- (g) To establish the population for performing the procedures related to the Direct 166 Loan Program, we obtained the vouchers, JobsOhio invoices, and related supporting documentation pertaining to all payments made by DSA for the fees paid to JobsOhio in connection with the Direct 166 Loan Programs under the Agreement from the contract effective date through the repayment of these fees by JobsOhio. We compared the vouchers and related supporting invoices and documentation to payment transactions posted to OAKS without exception.
- (h) We identified the invoice dates from the invoices obtained in step (g) and noted there were no dates prior to March 30, 2012, the beginning date of these procedures agreed to by the specified parties. We vouched the invoices obtained in step (g) contained detailed information regarding the commitment fees and application fees paid by borrowers to DSA during the preceding month without exception.
- (i) We compared the application fees and commitment fees from the JobsOhio invoices to the fee structure established by the Director of DSA and noted no differences in the application fees or for 25 of the 30 commitment fees. We identified the following differences in five of the 30 commitment fees.
- The commitment fee for one company was listed as \$1,500 on the invoice from JobsOhio to DSA. However, the amount collected by JobsOhio and paid to DSA was correctly calculated at \$15,000. DSA received and deposited the \$15,000, but paid JobsOhio \$1,500, as listed on the invoice.
 - The documentation provided by DSA and amounts paid by three companies indicated the commitment fees for these three companies were "capped"; two at \$50,000 and one at \$25,000. However, the fee structure provided by DSA did not state there were maximum limits established for any of the loan programs. The calculation using DSA's fee structure results in commitment fees of \$60,000, \$80,000, and \$60,000, respectively.
 - One item included a commitment fee associated with a Logistics and Distribution Loan (LDS). The April 25, 2011, Term Sheet for the loan stated the LDS amount was \$1,595,000 and the commitment fee would be \$15,950 (or 1% of the loan amount). However, the fee structure provided by DSA stated the commitment fee for a LDS loan was to be calculated as "2% of the first million and 1% of the balance". The calculation using DSA's stated criterion results in a commitment fee of \$25,950 instead of the \$15,950 received by DSA.

We recommend DSA implement control policies and procedures to verify the application, commitment, and any other applicable fees received related to loans are accurate, complete, and in accordance with the established fee schedule. The established fee schedules should be provided to all interested parties and all contracts or agreements should incorporate the

Section II: Direct 166 Loan Program Fee Payments (Continued)

stated fee schedule. Any variances from the established fee schedule should be reviewed and approved by appropriate DSA supervisory personnel and such review and approval documented in the related file.

- (j) We calculated the total payments made by DSA to JobsOhio related to Direct 166 Loan Program Fees. We confirmed the total payments of \$689,350 did not exceed \$2 million, as referenced in Section 5(b) of the Agreement (the "Fees").
- (k) From OAKS data, we prepared a listing of all revenue transactions related to application fees and commitment fees received from JobsOhio for the Direct 166 Loan Program applications (reporting ID "DEVJOBS") and obtained concurrence from DSA the listing was accurate and complete. We sorted the transactions by accounting date to confirm the month of each deposit. We then compared each transaction from the OAKS data and the total received by calendar month to the date received (also referred to as the date entered) by JobsOhio as shown on the invoices obtained in step (g) to confirm whether the fees were paid daily to DSA, as required by Section 28 of the Agreement. Using the date DSA stamped on the checks received, we confirmed the fees were paid daily to DSA and the total monthly fees agreed, except as identified below:
- We could not determine if the fee was paid daily to DSA for three application fees:
 - We did not receive the check copy for one fee in the amount of \$1,500, received on December 11, 2012, by JobsOhio and deposited on December 13, 2012, by DSA.
 - The invoice submitted by JobsOhio for September 2012 and November 2012 included dates received for two fees in those months (one for \$30,000 and one for \$1,500). However, the related checks for these fees were deposited by DSA prior to those dates (one 178 days earlier and one five days earlier). There were no notations on the invoices or other documentation to include the actual date received by JobsOhio or to explain the delay in their request.
 - One commitment fee in the amount of \$15,000 was not paid daily. The invoice from JobsOhio indicated the date received was June 25, 2012. DSA's date stamp indicated they received the fee on June 26, 2012, a one day variance.
 - The total monthly fees from JobsOhio did not agree with the total monthly deposits made by DSA for two months:
 - The fees for June 2012 were \$13,500 less than the deposits. The invoice listed a commitment fee received on June 26, 2012, as \$1,500 when the check showed it as \$15,000, which was the amount deposited (also included in step (i) above).
 - The fees for October 2012 were \$10,000 less than the deposits. The invoice listed a commitment fee received on October 2, 2012, as \$30,000, based on the fee schedule; however, the check received and deposited was for \$40,000. DSA refunded the \$10,000 overpayment to the borrower on November 28, 2012.
 - A \$12,750 commitment fee, received by JobsOhio and DSA on December 12, 2012, was not recorded as a deposit in OAKS until August 1, 2013. The commitment fee was incorrectly deposited into the DEB2 account (a DSA custodial account outside the state treasury and not accounted for in OAKS) on December 18, 2012, but DSA subsequently corrected this on August 1, 2013, by transferring the amount into OAKS Fund 4510.

Section II: Direct 166 Loan Program Fee Payments (Continued)

- When Deposit ID 15225 was sent to the Treasurer of State (TOS) for deposit on December 28, 2012, it was missing the check for a \$1,500 application fee from the batch deposit. TOS noted the omission and modified the deposit. DSA later deposited the check as Deposit ID 15239 on January 2, 2013.
- Several application and commitment fees related to the Innovation Ohio Loan Fund (IOLF) program were received from JobsOhio in June 2012. DSA deposited all of these fees into Fund 4510, where DSA deposited fees associated with the Agreement, except for a \$1,500 application fee received on June 8, 2012. DSA deposited this fee into Fund 7009.
- We did not receive JobsOhio invoices for any fees received from JobsOhio from January through March 2013, and no related payments to JobsOhio were processed in OAKS.

We recommend DSA implement control policies and procedures to include a timely reconciliation between internal documentation and OAKS to verify the accuracy and completeness of all posted transactions. These reconciliations should be reviewed and approved by appropriate DSA supervisory personnel and any significant variances should be investigated and resolved.

- (l) We obtained from JobsOhio, via DSA, such portions of the ledgers, bank statements, and other related documentation necessary to support that payments they received from DSA or on behalf of DSA through the loan application process were not comingled with other JobsOhio funds and were placed in separate accounts, as required by ORC Section 187.07 and Section 28 of the Agreement. We compared the voucher payments made to JobsOhio by DSA to deposits into the JobsOhio bank account ending in 2139 and confirmed all such payments were deposited into this account.
- (m) We scanned the transactions from the accounts identified in step (l) above for evidence that monies received from or on behalf of DSA were used to grant, lend, or loan any of the those funds to engage in a joint ownership of or obtain stock in any company, association, or corporation, which are prohibited by Section 28 of the Agreement. We identified no such transactions.
- (n) We obtained the revenue receipt and related supporting documentation for all repayments made by JobsOhio to DSA related to the 166 Loan Program. We summed the amounts repaid and compared the total (\$689,350) to the total of payments made by DSA obtained in step (g) above, without exception.
- (o) We identified the OAKS fund for the deposits described in step (n) above. We compared this OAKS fund to the OAKS fund used to make the payments identified in step (g) above to determine if the repayments were deposited in the same OAKS funds used to make the original payment. We confirmed the entire \$689,350 in fees related to the Direct 166 Loan Programs was paid from Fund 4510. DSA initially deposited the repaid fees amount to Fund 5AD0 on April 5, 2013, but transferred the \$689,350 to Fund 4510 on April 9, 2013. After this adjusting/correcting entry, the Direct 166 Loan fees were fully repaid to the original payment fund (4510).

Section III: Reporting and Other Requirements of the Agreement

- (p) We obtained the written operating guidelines given to DSA by JobsOhio (as referenced in Section 6(a) of the Agreement) and identified the date it was delivered to DSA. We compared these guidelines to the requirements in the Agreement and identified no differences. The guidelines were e-mailed to DSA on April 5, 2012, which is six days after the 60-day deadline stipulated in Section 6(a) of the Agreement.
- (q) We inspected the date that JobsOhio and DSA updated metrics and the Scope of Work to confirm whether the identified updates were completed by March 1 of the respective year, as required by Section 6 (b) of the Agreement. DSA documented it had received the updated strategic plan from JobsOhio and the Scope of Work March 1, 2013, and metrics were not changed.
- (r) We obtained the strategic plan given to DSA by JobsOhio (as referenced in Section 6 (c) of the Agreement) and confirmed it was delivered to DSA on March 1, 2012, as required by Section 6 (c) of the Agreement.
- (s) We compared the strategic plan obtained in step (r) above to the required elements as described in Exhibit I and III of the Agreement and noted no differences.
- (t) We attempted to obtain documentation to support the strategic plan from step (s) above was approved by the director of DSA and the Governor was consulted concerning the plan prior to implementation of the plan, as required by Section 6 (c) of the Agreement. However, DSA did not provide us with evidence to support the plan was approved by the DSA Director or that the Governor was consulted prior to the plan's implementation.
- (u) We obtained documentation to support whether JobsOhio provided to DSA all the documents and records by the stated due dates required by Ohio Revised Code Section 187.04 and Section 10 of the Agreement. Of the required 15 types of documents and records provided, all were submitted by the stated due date, except as noted below:
- JobsOhio was to submit their filed tax return or any requests for extensions, if accepted by the Internal Revenue Service (IRS), by December 31, 2012. If the tax return was not filed by December 31, JobsOhio was to submit the tax return within 15 days of filing it with the IRS. On December 31, 2012, JobsOhio submitted to DSA an extension form which allowed them until February 15, 2013, to file the tax return. However, we were not provided with the date JobsOhio filed the tax return with the IRS and thus could not determine if JobsOhio timely submitted the tax return to DSA. The submitted tax return was signed by the paid preparer on May 14, 2013; DSA received a copy of the tax return in an e-mail dated June 18, 2013.
 - The annual total compensation paid to each officer and employee of JobsOhio was to be submitted to DSA by December 31, 2012. On December 31, 2012, JobsOhio submitted a list of annual total compensation by job title, but did not include the name of the officer or employee.
 - JobsOhio was to submit to DSA by December 31, 2012, acknowledgement forms signed by its employees stating they are not state employees. On December 31, 2012, JobsOhio submitted acknowledgement forms for 25 employees. We compared the 25 acknowledgement forms received to a list of JobsOhio employees provided by DSA on July 24, 2013 (without any compensation information), and identified nine exceptions. One form was received from an employee not on the employee list. In addition, no forms

Section III: Reporting and Other Requirements of the Agreement (Continued)

were submitted for eight employees who were included on the employee list. DSA provided us a copy of an internal JobsOhio memo, dated August 21, 2013, which stated JobsOhio attached to the memo the required form for one of the eight missing employees; however, a copy of the form was not attached to the memo or provided to us and we could not determine if the form was provided to DSA. In addition, the memo stated JobsOhio did not collect acknowledgements from the other seven employees because "these individuals separated from JobsOhio prior to the implementation of the acknowledgement form on December 12, 2012."

- JobsOhio was required to submit to DSA by December 31, 2012, a Conflict of Interest statement required by ORC section 187.06(G) for each of its nine board members. The required statement was submitted by JobsOhio for one board member on December 31, 2012. JobsOhio submitted the required statements for the other eight board members on January 18, 2013.
- JobsOhio was required to submit a copy of the minutes of all meetings held that were not otherwise closed to the public to DSA by December 31, 2012. On December 31, 2012, JobsOhio submitted to DSA the minutes of the meetings held July 11, 2011; October 26, 2011; February 1, 2012; May 1, 2012, and August 8, 2012. We noted the October 26, 2011, minutes mentioned approval of the August 25, 2011, meeting minutes. When we inquired about the August 25, 2011, meeting minutes, DSA provided a document from JobsOhio indicating the August 25, 2011, board meeting was not public and thus the related minutes were not required to be furnished to DSA.

We recommend DSA implement control policies and procedures to reasonably ensure all parties are in compliance with the requirements of contracts/agreements. These policies and procedures should include, but not be limited to, a tracking sheet which identifies key requirements/deliverable dates, and monitors compliance with each requirement.

- (v) We obtained the quarterly expenditure reports provided to DSA by JobsOhio for the quarter ended March 31, 2012, and on the last day of each third month thereafter, of actual or in-kind expenditures for the travel, meals or lodging of any public official or employee as described in ORC Section 187.03(B)(3) and referenced in Section 11(a) of the Agreement. We identified five reports submitted to DSA dated March 31, 2012, June 29, 2012, September 30, 2012, December 21, 2012, and April 12, 2013. We also noted two amended reports dated December 27, 2012 and February 25, 2013.

We vouched the reports containing the dollar value and purpose of each expenditure, date of each expenditure, name of the person that paid or incurred the expenditure and the location, if any, where services or benefits of an expenditure were received, as required by ORC Section 187.03(B)(3). We identified no variances, except that the five reports did not include "the name of the person that paid or incurred each expenditure", as required by ORC 187.03(B)(3). Instead the report stated "JobsOhio" in the "Name of Person that Paid" column.

- (w) We obtained documentation that JobsOhio provided to DSA evidence the required liability insurance and performance bonds were obtained and updated annually. We compared the insurance coverage reported to the amounts required by Section 15 of the Agreement and confirmed the coverage in both policies was equal to or exceeded the required amounts.
- (x) We obtained evidence to indicate that JobsOhio did adopt a conflicts of interest policy as required under ORC Section 187.06 and referenced in Section 18 of the Agreement.

Procedures Related to the OBDC/JOBS Grant Agreement

Section IV: Grant Payments

Under their appropriation authority, DSA entered into Grant Agreement ADMN 10-166 with OBDC/JOBS which required DSA to provide financial assistance to OBDC/JOBS to undertake activities to promote business and economic development within the State of Ohio. The following procedures were performed to test compliance with select terms and conditions set forth in the Grant Agreement for the period June 1, 2010 through December 31, 2012.

- (a) With assistance from DSA, we used OAKS data to prepare a listing of vouchers paid by DSA related to the Grant Agreement. Through this process, we identified 38 vouchers totaling \$9,509,389, related to the Grant Agreement to establish the population for performing the procedures below related to these grant payments.
- (b) We haphazardly selected 25 DSA voucher packets (which included 443 payments made by OBDC/JOBS to 241 payees related to 768 invoices, as detailed on Schedule A) for inspection from the listing obtained in step (a). We compared the vouchers to the related invoices and other supporting documentation for the selected transactions. We inspected these transactions for the following attributes:
 1. The expense was allowable under the terms of the Grant Agreement; however:
 - Four of the disbursements requested an advance under the Marketing Initiatives project beyond the \$100,000 allowed by section 2 (a) of the Grant Agreement. Additional advances were allowable by section 2 (f) of the Grant Agreement provided there was not sufficient cash on hand to make the required payments. Although the invoice stated the request was necessary to provide sufficient cash, the documentation provided did not demonstrate the cash position of OBDC/JOBS at the time of the request. Therefore, we were not able to verify the request met the cash-need requirement. (see items 14, 16, 20, and 23 detailed on Schedule A)
 - Five of the disbursements requested an advance related to Economic Development. However the documentation provided did not demonstrate the cash position of OBDC/JOBS at the time of the request, as required by section 2 (f) of the Grant Agreement. Therefore, we were not able to verify the request met the cash-need requirement. (see items 1, 4, 5, 7, and 10 detailed on Schedule A)
 - One voucher included a payment to JobsOhio in the amount of \$23,540 supported by an invoice billed to JobsOhio. Although the service provided was covered by the scope of work in the Grant Agreement, the invoice did not provide any explanation to indicate why OBDC/JOBS paid for something billed to JobsOhio. (see item 18 detailed on Schedule A)
 - Three vouchers totaling \$866,732 included payments to JobsOhio for invoices submitted by JobsOhio stating an amount due related to economic development and marketing services (or similar language) for the month. However, there was no detail provided or explanations included with the JobsOhio invoice to indicate how the amounts were determined. Therefore, we could not determine if the amounts paid were correct. (see items 22, 24, and 25 detailed on Schedule A)

Section IV: Grant Payments (Continued)

2. The payee and amount on the voucher agreed to the payee and amount on the invoice or other documentation, except as summarized below:
 - Eight of the disbursements to OBDC/JOBS were not supported by invoices for the total amount paid by DSA. (see items 2, 3, 6, 8, 9, 11, 12, and 17 detailed on Schedule A)
 - Eight of the disbursements to OBDC/JOBS had invoices associated with them; however, the amount paid by DSA was more than the amount supported by the invoices, based on our inspection of the invoices and recomputation of the invoice amounts. (see items 1, 8, 11, 13, 15, 17, 18, and 19, detailed on Schedule A)
 - Two vouchers were less than the amount on the invoice request and related ledger. Neither voucher contained a reason for why a reduced payment was made to OBDC/JOBS. (see items 21 and 25 detailed on Schedule A)
3. Sixteen of the 25 voucher payments consisted of reimbursement requests. The allowable expenses of the grantee had been paid prior to the date of the payment request to DSA for all sixteen payments. The basis of the request amount was the amount of expenses listed on the monthly ledger. (reimbursement items noted with an R on Schedule A)
4. Nine of the 25 voucher payments consisted of advance requests, all of which were approved by DSA, as required by the Grant Agreement. Documentation supported that advanced funds were expended by the grantee on costs associated with the project in the subsequent month, except for two requests. The dates of these requests and subsequent disbursement (noted by check date) were April 27, 2012 and June 7, 2012, and November 5, 2012 and January 11, 2013, respectively. In addition, one advance was not fully disbursed because the actual expense was less than the estimate. A note on the related invoice summary worksheet indicated \$11,241 would be repaid in the grant close-out. The full amount advanced was included in the amount repaid to DSA (see step (f) below). (advances noted with an A on Schedule A; exception noted for items 16 and 23 detailed on Schedule A)
5. The Grant Agreement required OBDC/JOBS to comply with the following procurement requirements related to purchased goods or service:
 - From June 1, 2010 to July 5, 2011
 - Three quotes required for all procurements
 - Public solicitation required for amounts over \$1,000
 - Written agreement required for amounts over \$500
 - After July 5, 2011
 - Three quotes required for amounts between \$25,000 and \$100,000
 - RFP/RFQ required for amounts over \$100,000
 - Written Agreement required for amounts over \$25,000

Based on our inspection of the expenditure information, 23 of the 25 vouchers were disbursements OBDC/JOBS made directly to vendors for goods or services. There were 19 vendors, with transactions totaling \$553,417, who met one or more of these

Section IV: Grant Payments (Continued)

procurement requirements prior to July 5, 2011. In addition, there were 21 vendors, with transactions totaling \$5,265,868, who met one or more of these procurement requirements after July 5, 2011. We requested the procurement documentation related to these vendors/transactions, but DSA indicated such documentation did not exist. Therefore, we were not able to determine if OBDC/JOBS complied with the procurement requirements stated in the Grant Agreement.

In addition, section 5 of the original Grant Agreement required OBDC/JOBS to deliver "a copy of its written procurement procedures within sixty (60) days after the date of this Agreement" (June 2010). However, no documentation was provided to indicate OBDC/JOBS submitted a procurement policy by the stated deadline. In addition, the written procurement procedures do not contain the prescribed elements stated within the Grant Agreement, as amended.

6. We confirmed with DSA that it had not requested or required a Project Establishment (PE) for any grant-funded activities, mentioned in Exhibit I of the Grant Agreement. We did not identify any PE documents during our review that would have supplemented the scope of work and the allowable expense.
7. The payment was posted to a DSA fund consistent with those funds established in the Grant Agreement.

We recommend DSA implement control policies and procedures to reasonably ensure all payments related to Grant Agreements are properly supported by invoices and other required documentation, and that such documentation complies with the requirements of the agreements prior to payment. Notations should be included on the invoice or other supporting documentation to explain any unusual transactions or variances evaluated and approved by management. These policies and procedures should also include a tracking sheet which identifies key requirements/deliverable dates of the agreement, and monitors compliance with each requirement.

- (c) We summed the transactions identified in step (a) by fiscal year, fund, program, or other relevant categories. We compared the totals to the overall total grant award and the project funding limits established in the Grant Agreement, which was utilized in defining the populations and applicable criteria in other procedures related to the Grant Agreements. The table below summarizes this information (note: the fifth amendment was nullified; the second and fourth amendments did not impact the award amounts) :

Program/Project	Effective Date	Award Amount	Total Paid by DSA to OBDC	OBDC Expenses Incurred After July 5, 2011
Economic Development	June 1, 2010	\$1,815,000	\$1,815,000	-
Marketing Initiatives				
Original Award	June 1, 2010	3,451,000	3,451,000	2,434,217
Third Amendment	July 5, 2011	5,000,000	4,243,389	4,243,389
Sixth Amendment	July 1, 2012	1,500,000	-	-
		9,951,000	7,694,389	6,677,606
Combined Total		\$11,766,000	\$9,509,389	\$6,677,606

Section IV: Grant Payments (Continued)

Although the amendments to the award documents related to the increases for Marketing Initiatives identified above indicated the "effective date" for these changes, the amendments were not dated by the authorized parties to indicate when they were signed. There is language in the July 5, 2011, amendment referring to activities which took place in October of 2011. In addition, we requested, but were not provided, information regarding the standard process used by DSA to amend existing grants. Therefore, we could not determine if the amendments authorizing increases to the Marketing Initiatives portion of the grant award were within the standard process used for other grant recipients.

We recommend DSA verify policies and procedures are in place to assure all Grant Agreements and related amendments are thoroughly reviewed and approved prior to their effective date. These policies and procedures should require all amendments to Grant Agreements be executed on or near the effective date to allow timely implementation of the changes. In addition, DSA personnel should date amendments to indicate the approval date of the amendments.

Section V: Reporting and Other Requirements of the Grant Agreement

- (d) We prepared a listing of all the monthly financial reports submitted by the OBDC/JOBS during the grant period and DSA verbally concurred this list was complete. We determined that 12 detailed monthly financial reports were submitted to DSA for December 2010 through November 2011. Based on the Grant Agreement, as amended, financial reports in a format approved by the grantor were required through December 2012. DSA indicated that, starting in December 2011 (after the certification letters referenced in 3. below were eliminated), they considered the transmittal letters (which were also provided prior to December 2011) and the supporting documentation submitted with the invoices to serve as the financial reports. However, these letters provided only summary information related to the grant. They did not provide the detailed reporting of the budget, year-to-date, and remaining balance amounts by project and line item which were included on the detailed financial reports submitted prior to December 2011.

We selected six reports (December 2010, March 2011, April 2011, June 2011, August 2011, and November 2011) from the 12 detailed financial reports submitted, obtained copies of the reports and the related supporting documentation, and performed the following for the selected reports:

1. We inspected the reports and determined none of them contained all the required elements. Among other data, each report was required to contain projected cash-on-hand, revenue, and cash requirements (costs) for the succeeding month. The selected reports did not contain these required data elements.
2. We compared the expenditure details in the monthly financial report to the payment requests identified in step (a) for the corresponding time period without exception.
3. We vouched expenditures in the monthly financial report to the supporting documentation that accompanied the report. However, the report "packets" originally provided to us only contained the monthly financial report, the general ledger (that had the transaction amount, date, check number, and recipient's name) and a certification letter from a contracted accounting firm. This certification letter to OBDC from the firm indicated the firm had reviewed the "reports which have been prepared by your staff and believe them

Section V: Reporting and Other Requirements of the Grant Agreement (Continued)

to be complete and accurate..." The packets provided to us did not contain other "supporting documentation including contracts, invoices, paid receipts, and such other documentation" as stated in section 2(f) of the Grant Agreement. The total amount of expenditures on each of the reports agreed with the total expenditures on the ledgers.

DSA subsequently provided the missing detailed invoices related to the expenditure activities on the selected financial reports. However, all six reports contained one or more detail amounts for which no support invoice or other documentation was provided. In addition, for two of the reports, the invoices associated with several individual detail amounts did not equal the total on the financial report for that particular amount. See Schedule B for the detailed results related to this procedure.

- (e) We prepared a listing of the 25 monthly performance reports submitted by the grantee during the grant period (December 2010 through December 2012) and obtained concurrence from DSA the listing was accurate and complete. We selected six reports from this listing (January 2011, April 2011, June 2011, December 2011, August 2012, and December 2012) obtained copies of the reports and related supporting documentation, and performed the following procedures:
1. We compared the performance report information period to the period covered by the corresponding financial period. For each report, we read through the information and ensured the information contained in the report covered the financial period for that report, without exception.
 2. We confirmed whether the report detailed the progress of each project activity, including:
 - any activities completed,
 - a summary of work product completed,
 - outcomes achieved,
 - the employees and agents of Grantee assigned to work on the project activity.

We noted variances for three of the reports inspected. These three reports (December 2011, August 2012, and December 2012) did not identify the employees assigned/charged to the month's project activity to support the employee costs. In addition, the general ledger contained expenditure activities related to work performed which was not included in any of the progress detail categories listed above for one of the three reports.

- (f) We obtained the revenue receipt and related supporting documentation for all repayments made by OBDC/JOBS to DSA related to the Grant Agreement. We summed the amounts repaid and compared the total to the total of payments made by DSA obtained in step (a) above (\$9,509,389). However, DSA stated repayment was only for the amount of grant funds expended by OBDC/JOBS after the incorporation of JobsOhio, which was July 5, 2011. We vouched the repaid amount of \$6,677,606 was supported by expenditures incurred by OBDC/JOBS after July 5, 2011 (see table in step (c) above). Items noted with an * on Schedule A of this report were not repaid to DSA.
- (g) We identified the OAKS fund for the deposits identified in step (f) above. We compared this OAKS fund to the OAKS fund DSA used to make the payments identified in step (a) above and determined these repayments were recorded in the same OAKS fund DSA used to make the original payment (4F20).

Ohio Development Services Agency
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We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion, on DSA's related revenue and expenditure transactions and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

On November 12, 2013, we held an exit conference with DSA management to discuss the contents of this report. DSA has responded. A copy of their response may be obtained from Diane Lease, Chief Legal Counsel, at (614) 728-3000.

This report is intended solely for the information and use of DSA's management and those charged with governance of DSA, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

**Ohio Development Services Agency
Independent Accountants' Report on Applying Agreed-Upon Procedures**

**Schedule A
Section IV: Grant Payments - Procedure B
Voucher Testing Detail**

amounts rounded to the nearest whole dollar

	OAKS Information		OBDC/JOBS Information and Support				Unexplained Variance Voucher vs. OBDC/JOBS Invoice Support	
	Item #	DSA Payment Date	DSA Voucher Amount	EFT/Check Dates (OBDC/JOBS)	Number of OBDC/JOBS Payments	Number of OBDC/JOBS Payees		Number of Invoices Supporting OBDC/JOBS Payments
* A	1	12/07/10	\$ 31,909	12/13/10	1	1	4	\$ 711
* R	2	02/01/11	\$ 168,804	1/13/11 to 1/31/11	24	13	27	\$ 5,615
* R	3	03/22/11	\$ 224,057	1/14/11 to 2/28/11	38	17	114	\$ 1,386
* A	4	03/24/11	\$ 9,136	3/29/11	1	1	1	\$ -
* A	5	05/12/11	\$ 47,720	5/20/11	1	1	2	\$ -
* R	6	05/24/11	\$ 155,852	3/11 to 4/30/11	51	15	47	\$ 6,802
* A	7	07/05/11	\$ 1,708,781	7/11/11	1	1	4	\$ -
* R	8	07/22/11	\$ 189,191	6/1/11 to 6/30/11	34	15	60	\$ 1,600
R	9	09/26/11	\$ 251,931	8/3-8/31/11	29	12	12	\$ 165,245
A	10	10/24/11	\$ 7,150	10/28/11	1	1	1	\$ -
R	11	11/28/11	\$ 200,672	10/3/11 to 10/28/11	43	20	41	\$ 12,338
R	12	12/27/11	\$ 130,611	11/9/11 to 11/30/11	23	12	19	\$ 4,865
R	13	02/02/12	\$ 196,211	12/2/11 to 1/3/12	34	16	36	\$ 130
A	14	03/16/12	\$ 704,000	3/25/12	1	2	82	\$ -
R	15	04/30/12	\$ 177,301	3/1/12 to 3/30/12	25	14	25	\$ 54
A	16	05/17/12	\$ 369,263	6/7/12	1	2	48	\$ -
R	17	05/17/12	\$ 922,059	4/4/12 to 5/11/12	25	20	135	\$ 8,756
R	18	06/07/12	\$ 197,864	5/3/12 to 6/4/12	22	15	22	\$ 15,105
R	19	07/26/12	\$ 190,478	6/7/12 to 6/29/12	18	14	18	\$ 66
A	20	08/21/12	\$ 139,077	9/4/12	1	1	1	\$ -
R	21	09/25/12	\$ 109,817	8/2/12 to 8/30/12	15	11	15	\$ (419)
R	22	11/05/12	\$ 162,604	8/1/12 to 10/10/12	15	11	15	\$ -
A	23	11/05/12	\$ 1,350,000	11/9/12 to 1/11/13	1	1	1	\$ -
R	24	12/21/12	\$ 414,948	11/2/12 to 11/30/12	23	14	23	\$ -
R	25	01/24/13	\$ 289,180	12/12/12 to 1/4/13	15	11	15	\$ (540)
Total Tested		\$ 8,348,616			443	241	768	\$ 221,714

* These items related to expenses incurred by OBDC prior to 7/5/11; therefore, they were not included in the amount repaid to DSA.

A Payment made by to DSA to OBDC/JOBS as an advance.

R Payment made by to DSA to OBDC/JOBS on a reimbursement basis.

**Ohio Development Services Agency
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**Schedule B
Section IV: Grant Payments - Procedure D 3
Financial Reports**

amounts rounded to the nearest whole dollar

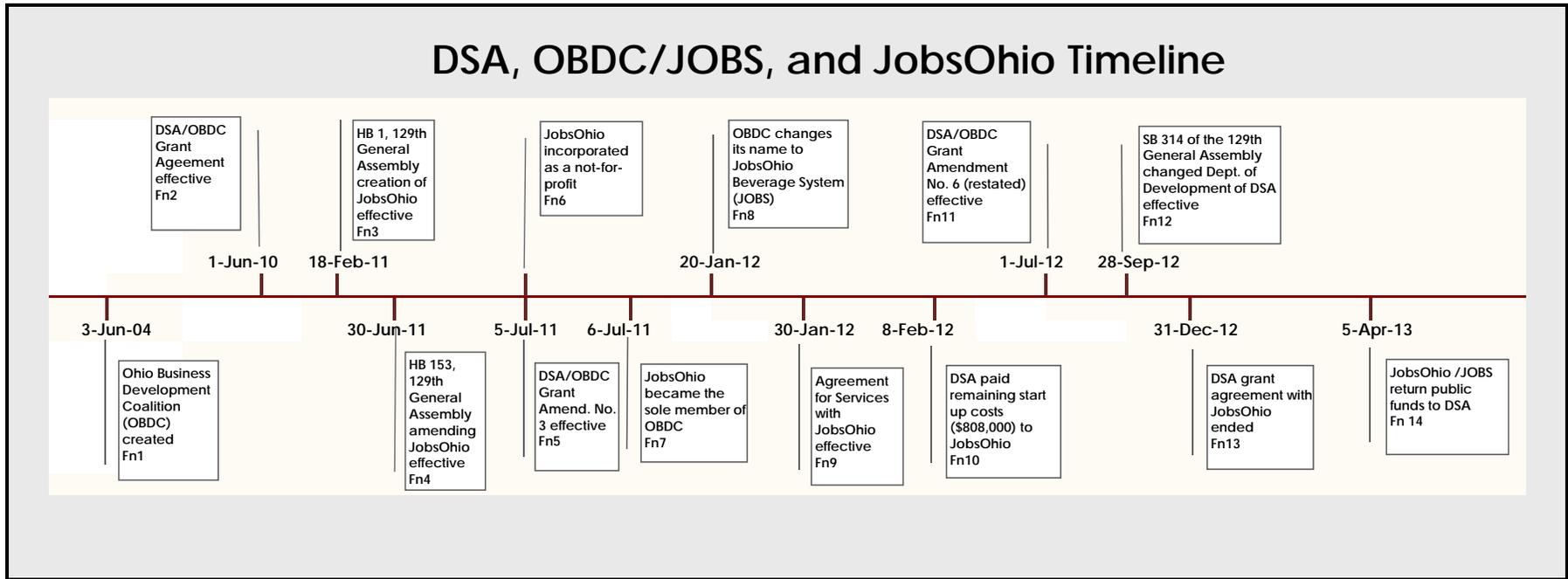
OBDC Financial Report Period	Total Expenses on the OBDC Financial Report	Number of OBDC Payments	Sum of Invoices	Variance Report vs. Sum of Invoices	Reference to Notes
December 2010	\$ 65,854	7	\$ 54,500	\$ 11,354	Note 1
March 2011	\$ 107,632	30	\$ 107,480	\$ 152	Note 2
April 2011	\$ 155,852	51	\$ 149,050	\$ 6,802	Note 3
June 2011	\$ 189,191	34	\$ 187,591	\$ 1,600	Note 4
August 2011	\$ 251,931	29	\$ 86,686	\$ 165,245	Note 5
November 2011	\$ 130,611	23	\$ 125,746	\$ 4,865	Note 6

NOTES

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- Note 1 - Of the seven payments made by OBDC, three contained variances totaling \$11,354, as follows:
- Two payments totaling \$3,854 were not supported by invoices or other detailed documentation.
 - One payment for \$7,500 was supported by an invoice but the invoice contained a hand-written note referencing the 2008 grant rather than the 2010 grant (ADMN 10-066).
- Note 2 - Of the 30 payments made by OBDC, three contained variances totaling \$152, as follows:
- One payment for \$145 was not supported by an invoice or other detailed documentation.
 - One payment for \$135 contained only partial support. An invoice or other detailed documentation was not included for \$5 of the total paid.
 - One payment for \$154 contained only partial support. An invoice or other detailed documentation was not included for \$2 of the total paid.
- Note 3 - Of the 51 payments made by OBDC, six payments totaling \$6,802 were not supported by an invoice or other detailed documentation.
- Note 4 - Of the 34 payments made by OBDC, four contained variances totaling \$1,600, as follows:
- Two payments totaling \$370 were not supported by an invoice or other detailed documentation.
 - One payment for \$1,690 contained only partial support. An invoice or other detailed documentation was not included for \$995 of the total paid.
 - One payment for \$1,207 contained only partial support. An invoice or other detailed documentation was not included for \$235 of the total paid.
- Note 5 - Of the 29 payments made by OBDC, 17 payments totaling \$165,245 were not supported by an invoice or other detailed documentation.
- Note 6 - Of the 23 payments made by OBDC, four payments totaling \$4,865 were not supported by invoices or other detailed documentation.

Ohio Development Services Agency
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Exhibit - Timeline



Footnotes:

- 1 Ohio Business Development Coalition (OBDC), a not-for-profit corporation organized under Chapter 1702 of the Ohio Revised Code, was created 6/3/2004.
- 2 Grant Agreement ADMN 10-066 between DSA and OBDC effective 6/1/2010. Other grant agreements were also ongoing.
- 3 House Bill 1, of the 129th Ohio General Assembly, authorized the creation of JobsOhio effective 2/18/2011.
- 4 House Bill 153, of the 129th Ohio General Assembly, amended certain requirements related to JobsOhio effective 6/30/2011.
- 5 Amendment No. 3 to the DSA Grant Agreement with OBDC authorized an additional \$5 million in 2012 as a marketing initiative, effective 7/5/2011.
- 6 JobsOhio was incorporated as a not-for-profit corporation organized under Chapter 1702 of the Ohio Revised Code, effective 7/5/2011.
- 7 JobsOhio became the sole member of OBDC , effective 7/6/2011.
- 8 OBDC amended its articles of incorporation to change its name to JobsOhio Beverage System (JOBS), effective 1/20/2012.
- 9 DSA's agreement for services with JobsOhio became effective upon approval by the controlling board on 1/30/2012.
- 10 DSA paid remaining start up costs (\$808,221 of the \$1 million authorized) to JobsOhio on 2/18/2012. The balance of the \$1 million (\$191,779) was paid by DSA.
- 11 Amendment No. 6 (restated) to the DSA Grant Agreement with OBDC/JOBS authorized an additional \$1.5 million for the sole purpose of undertaking and completing JobsOhio's marketing initiative project, effective 7/1/2012.
- 12 Senate Bill 314, of the 129th Ohio General Assembly, renamed the Ohio Department of Development to the Development Services Agency (DSA) effective 9/28/2012.
- 13 Grant Agreement ADMN 10-066 between DSA and OBDC/JOBS ended 12/31/12.
- 14 JobsOhio returned \$1 million in initial payments for start up costs from HB 1 and JOBS returned \$6.6 million in grant funds they spent after 7/5/11 to DSA on 4/5/13.

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Dave Yost • Auditor of State

OHIO DEVELOPMENT SERVICES AGENCY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 21, 2013**