



# Dave Yost • Auditor of State

July 1, 2015

To the people of the State of Ohio:

The General Assembly created by statute a requirement that JobsOhio's private independent auditor perform an engagement to review compliance with relevant statutes and internal controls for JobsOhio. The Ohio Auditor of State is required to participate in the development of the audit program, but has no other authority in the process.

Ohio Revised Code section 187.01(J) provides in relevant part that:

The articles shall require that the audit committee hire a firm of independent certified public accountants, selected in consultation with the auditor of state, to perform, once each year, a financial audit of the corporation and of any nonprofit entity the sole member of which is JobsOhio. The articles also shall require all of the following:

- (1) Commencing with JobsOhio's fiscal year beginning July 1, 2012, the financial statements to be audited are to be prepared in accordance with accounting principles and standards set forth in all applicable pronouncements of the governmental accounting standards board;
- (2) The firm of independent certified public accountants hired is to conduct a supplemental compliance and control review pursuant to a written agreement by and among the firm, the auditor of state, JobsOhio, and any nonprofit entity the sole member of which is JobsOhio; and
- (3) A copy of each financial audit report and each report of the results of the compliance and control review are to be provided to the governor, the auditor of state, the speaker of the house of representatives, and the president of the senate.

This report is fulfillment of those statutory obligations for the fiscal year ended June 30, 2014. The Auditor of State did not examine the records or books of JobsOhio and did not conduct any interviews. Our role was solely to suggest what works should be performed, and to review the work once it was performed. The work, and this report, are the product of the private auditor, KPMG.

Accordingly, we express no professional opinion regarding it or the operations and finances of JobsOhio, lacking independent means to form such opinions.

A handwritten signature in blue ink that reads "Dave Yost".

**Dave Yost**  
**Auditor of State**



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**Independent Accountants' Report  
on Applying Agreed-Upon Procedures**

The Board of Directors and Management  
JobsOhio and JobsOhio Beverage System:

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by the management of JobsOhio and its component unit JobsOhio Beverage System and the Ohio Auditor of State, solely to assist JobsOhio and the Auditor of State in evaluating JobsOhio and JobsOhio Beverage System's compliance with certain requirements including Chapter 187 of the Ohio Revised Code (collectively referred to as Compliance Matters) for the year ended June 30, 2014. JobsOhio and JobsOhio Beverage System's management is responsible for the Compliance Matters. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and associated results are enumerated in Exhibit A.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Compliance Matters. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the board of directors and managements of JobsOhio and its component unit JobsOhio Beverage System and the Ohio Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

June 30, 2015

## JobsOhio

### **Procedure 1**

Obtain from management a list of JobsOhio credit cardholders and the credit card statements for four months selected haphazardly during fiscal year 2014. Inquire of management and inspect documentation that credit card transactions were reviewed on a monthly basis by the appropriate person, as identified on management's list of authorized approvers. Obtain an employee expense report and the supporting documentation completed by the cardholder for each of the selected months. Determine that an authorized approver approved each selected employee expense report, and compare and agree the amounts to the credit card statement.

### **Result**

We were informed that JobsOhio has one credit card account with separate cards issued to each of the multiple users and one credit card statement is received each month, which lists all transactions. JobsOhio Chief Financial Officer (CFO) or a designated staff member downloads the credit card transactions each month from the bank's Web site and populates a separate employee expense report template for each user of the credit card for that given month. The employee expense report templates are sent to the respective employees who complete the expense report, provide receipts, and send to an authorized approver.

We obtained one employee expense report for each of haphazardly selected four months (August 2013, November 2013, March 2014, and May 2014) during fiscal year 2014 along with the supporting receipts. The total of the expense reports amounted to \$8,019. We compared each of the items claimed on the employee expense report to the amounts on the corresponding receipts and found that each amount agreed. We also compared and agreed each of the items claimed on the employee expense report to the corresponding credit card statement. All amounts from the credit card statement for the specific employee selected were included on the employee expense report. No exception was noted.

For each of the selected four employee expense reports, we identified the approver of the expense report and agreed the approver's name to the list of authorized approvers provided by management.

### **Procedure 2**

Haphazardly select a sample of 20 expenditures which are not ACH transactions from a detailed listing of expenditures that are compared to the audited financial statements, and determine if JobsOhio used payment authorization forms in fiscal year 2014 for these transactions.

### **Result**

We haphazardly selected 20 expenditures from a detailed listing of expenditures provided by management. The total of the detailed listing was compared with the total operating expenses (excluding salaries and wages) per the fiscal year 2014 audited financial statements and agreed within \$201. For each of the expenditures, we obtained the corresponding payment authorization form. No exception was noted.

### **Procedure 3**

From the Ohio Development Services Agency ("DSA") End-of-Year Reports covering calendar years 2013 and 2014, haphazardly select a sample of 20 projects approved for a loan and/or grant by JobsOhio during fiscal year 2014, and verify, through an examination of Independent Review Panel meeting and agenda records, that those projects were reviewed by the Independent Review Panel.

### **Result**

KPMG obtained the DSA End-of-Year reports which covered calendar year 2013 and calendar year 2014 and haphazardly selected a sample of 20 projects approved for a loan or grant by JobsOhio. The DSA End-of-Year reports contain projects which have been approved by a loan or grant from JobsOhio as well as projects which

have been approved for assistance from state or local program sources. Therefore, for this procedure, we selected projects which indicated in the “program type” column on the DSA End-of-Year reports that the funding was from JobsOhio (i.e., designated as JobsOhio Workforce Grant, JobsOhio Economic Development Grant, JobsOhio Revitalization Grant, or JobsOhio Other Loan). We also only selected projects with a project approval or “closed” date within fiscal year 2014 as designated in JobsOhio’s SalesForce.com Customer Relationship Management system. For each of the 20 projects selected, we obtained the meeting and agenda records of the Independent Review Panel, which were electronically maintained in JobsOhio SalesForce.com Customer Relationship Management system, and verified each project was reviewed by the Independent Review Panel by comparing and agreeing the company and project names to the agenda for the IRP meeting. No exception was noted.

#### **Procedure 4**

ORC 187.01 – Determine through inquiry of management and inspection of minutes of the board of directors whether there have been any amendments to the Articles of Incorporation. If there have been amendments, determine whether any of the following provisions of the Articles of Incorporation were changed from the wording in the previously amended articles:

(A) The designation of the name of the corporation as JobsOhio;

(B) The creation of a board of directors consisting of nine directors, to be appointed by the governor, who satisfy the qualifications prescribed by section 187.02 of the Revised Code;

(C) A requirement that the governor make initial appointments to the board within sixty days after the filing of the articles of incorporation. The articles shall state that, following the initial appointments, the governor shall appoint directors to terms of office of four years, with each term of office ending on the same day of the same month as did the term that it succeeds. If any director dies, resigns, or the director's status changes such that any of the requirements of division (C) of section 187.02 of the Revised Code are no longer met, that director's seat on the board shall become immediately vacant. The governor shall forthwith fill the vacancy by appointment for the remainder of the term of office of the vacated seat.

(D) A requirement that the governor appoint one director to be chairperson of the board and procedures for electing directors to serve as officers of the corporation and members of an executive committee;

(E) A provision for the appointment of a chief investment officer of the corporation by the recommendation of the board and approval of the governor.

(F) Provisions requiring the board to do all of the following:

- (1) Adopt one or more resolutions providing for compensation of the chief investment officer;
- (2) Approve an employee compensation plan recommended by the chief investment officer;
- (3) Approve a contract with the director of development services for the corporation to assist the director and the development services agency with providing services or otherwise carrying out the functions or duties of the agency, including the operation and management of programs, offices, divisions, or boards, as may be determined by the director of development services in consultation with the governor;

- (4) Approve all major contracts for services recommended by the chief investment officer;
- (5) Establish an annual strategic plan and standards of measure to be used in evaluating the corporation's success in executing the plan;
- (6) Establish a conflicts of interest policy that, at a minimum, complies with section 187.06 of the Revised Code;
- (7) Hold a minimum of four board of directors meetings per year at which a quorum of the board is physically present, and such other meetings, at which directors' physical presence is not required, as may be necessary.
- (8) Establish a records retention policy and present the policy, and any subsequent changes to the policy, at a meeting of the board of directors at which a quorum of the board is required to be physically present pursuant to division (F)(7) of this section;
- (9) Adopt standards of conduct for the directors.

(G) A statement that directors shall not receive any compensation from the corporation, except that directors may be reimbursed for actual and necessary expenses incurred in connection with services performed for the corporation;

(H) A provision authorizing the board to amend provisions of the corporation's articles of incorporation or regulations, except provisions required by this chapter;

(I) Procedures by which the corporation would be dissolved and by which all corporation rights and assets would be distributed to the state or to another corporation organized under this chapter. The articles shall state that no dissolution shall take effect until the corporation has made adequate provision for the payment of any outstanding bonds, notes, or other obligations.

(J) A provision establishing an audit committee to be comprised of directors. The articles shall require that the audit committee hire a firm of independent certified public accountants, selected in consultation with the auditor of state, to perform, once each year, a financial audit of the corporation and of any nonprofit entity the sole member of which is JobsOhio.

(K) A provision authorizing a majority of the disinterested directors to remove a director for misconduct, as that term may be defined in the articles or regulations of the corporation.

## **Result**

We inquired of management and were informed that the Articles of Incorporation were amended in fiscal year 2014. We obtained the previously Amended Articles of Incorporation that were filed with the Ohio Secretary of State on January 14, 2013 and the Amended and Restated Articles of Incorporation that were filed on October 21, 2013. We compared and agreed the wording from the Amended Articles of Incorporation filed in the prior fiscal year to the wording in the Amended and Restated Articles of Incorporation filed in fiscal year 2014 for each of the below items which correspond to the items in the procedure section with the following results:

<b>Procedure reference from above</b>	<b>Amended articles of incorporation dated January 14, 2013</b>	<b>Amended articles of incorporation dated October 21, 2013</b>	<b>Change in wording</b>
(A)	Article I	Article I	No
(B)	Article V, Section 5.2	Article V, Section 5.2	No
(C)	Article V, Section 5.3	Article V, Section 5.3	No
(D)	Article VII, Section 7.2	Article VII, Section 7.2	No
(E)	Article VII, Section 7.3	Article VII, Section 7.3	No
(F)	Article V, Section 5.1	Article V, Section 5.1	No
(G)	Article V, Section 5.6	Article V, Section 5.6	No
(H)	Article IX	Article IX, Section 9.1	No
(I)	Article VIII, Section 8.2	Article VIII, Section 8.2	No
(J)	Article VI, Section 6.2	Article VI, Section 6.2	Yes – wording change made to Amended Articles of Incorporation dated October 21, 2013. See wording change below.
(K)	Article V, Section 5.5	Article V, Section 5.5	No

As indicated in the table above, related to procedure reference (J), there is a change in wording from the original Articles of Incorporation to the Amended Articles of Incorporation dated October 21, 2013. The original language is unchanged with the exception that the Amended Articles of Incorporation dated October 21, 2013 replaces the original sentence “The Audit Committee shall be responsible for hiring an independent certified public accountant to perform a financial audit of the Corporation at least once every year.” with “The Audit Committee shall be responsible for hiring, in consultation with the Ohio Auditor of State, an independent certified public accountant to perform, once each year, a financial audit of the Corporation and of any nonprofit entity the sole member of which is JobsOhio. Commencing with JobsOhio’s fiscal year beginning July 1, 2012, the financial statements to be audited are to be prepared in accordance with accounting principles and standards set forth in all applicable pronouncements of the governmental accounting standards board. The firm of independent certified public accountants hired is to conduct a supplemental compliance and control review pursuant to a written agreement by and among the firm, the Ohio Auditor of State, the Corporation, and any nonprofit entity the sole member of which is JobsOhio. A copy of each financial audit report and each report of the results of the compliance and control review are to be provided to the Governor, the Auditor of State, the Speaker of the House of Representatives, and the President of the Senate.”

Additionally, we obtained the minutes of the board of directors meetings that indicated that in the meeting held on September 20, 2013, the board approved a resolution, which amended the Articles of Incorporation. We did not identify any other board actions related to the Articles of Incorporation as documented in the board meeting minutes for fiscal year 2014.

#### **Procedure 5**

Determine through inquiry of management and inspection of minutes of the board of directors if there was a vacancy of the board of directors. If a vacancy occurred, obtain a copy of documentation signed by the governor to fill the vacancy and report if the appointment was for the remainder of the term of office of the vacated seat.

#### **Result**

We inquired of management and were informed that there were two vacancies on the board of directors during fiscal year 2014. We also inspected all board minutes for the fiscal year 2014 and did not identify any additional board of director’s vacancy other than the two identified by management. Through inspection of the board of

director's minutes for fiscal year 2014, we noted that there were no replacement board appointments made by the governor.

#### **Procedure 6**

ORC 187.01(F)(2) - Inquire of management if an employee compensation plan was approved by the Board and verify by inspection of the minutes of the Board. If such plan was approved, haphazardly select a sample of 10 employees and verify that employees' compensation was approved by the President and chief investment officer in accordance with the plan, by reference to the employee's offer letter or other wage document. For the 10 employees selected above verify their compensation was in accordance with the approved amount.

#### **Result**

We inquired of management and were informed that an employee compensation plan was approved by the board of directors during fiscal year 2014. We also inspected the December 10, 2013 board minutes which evidenced such approval. The compensation plan specifies that the board is to approve the compensation for executives (of which there are seven) and that management approves the compensation of all other employees.

We haphazardly selected a sample of 10 employees from the June 30, 2014 payroll register. Three of the employees were executives and we compared and agreed their names to the board approved compensation plan. For the remaining 7 sampled employees, we obtained the employee's respective offer letter and noted that the employee's pay was approved by the President of JobsOhio or his designee as evidenced by his signature on the offer letter. Additionally, we obtained either the December 31, 2013 or June 30, 2014 payment statement for each of the selected 10 employees and recalculated their yearly pay rate by multiplying the pay rate per the payment statement times 24 as payroll is paid semi-monthly. We then compared and agreed the yearly pay rate to the amount specified in the compensation plan (for executives denoted as "base pay") or in the respective employee's offer letter. No exception was noted.

#### **Procedure 7**

ORC 187.01(F)(5) - Inspect the minutes of the Board and list the date the strategic plan was established by the Board for calendar year 2014.

#### **Result**

We obtained the minutes of the board of directors held on February 21, 2014 and through a resolution, the board approved the strategic plan for calendar year 2014.

#### **Procedure 8**

ORC 187.01(F)(4) – Obtain a list of all major contracts from management (as defined by the JobsOhio Board) for services recommended by the chief investment officer. Compare such contracts with the minutes of the Board to determine whether the Board approved these contracts.

#### **Result**

During fiscal year 2014, the JobsOhio board of directors defined major contracts (as specified in the related board resolution) as "a major contract for services means each contract for services that individually requires the Corporation to expend more than \$750,000".

We obtained a list of all major contracts from management which listed 7 such contracts. We compared and agreed each of the contracts to the minutes of the board of directors which approved such contracts. No exception was noted.

**Procedure 9**

ORC 187.01(G) – Obtain from management a listing of disbursements, and the corresponding documentation, made to Directors in fiscal year 2014. From that list, review any supporting documentation and list any disbursements that are not classified as expense reimbursements for travel, lodging, meals, or supplies. For those disbursements that were not classified as reimbursements for travel, lodging, meals, or supplies, through review of documentation and inquiry of management, determine if any of those disbursements were for compensation and if so, report the disbursements that were for compensation.

**Result**

We obtained a listing of disbursements made to Directors in fiscal year 2014, which listed 28 disbursements for a total of \$5,172. From the listing of disbursements, 27 disbursements were identified as being classified as travel, lodging, meals, or supplies and thus we did not perform any procedures over these disbursements. For the remaining 1 disbursement, which totaled \$6, we inquired of management and were informed that the disbursement was for reimbursement of a parking expenditure and thus was not for compensation. We also obtained the corresponding documentation (which included an invoice) and compared and agreed the amount of the disbursement per the listing to the corresponding documentation. The disbursement was a reimbursement for an expense incurred and the corresponding documentation provided by management did not indicate that the disbursement was for compensation.

**Procedure 10**

Obtain the Board minutes and through reading of the minutes determine if there were any new Board members appointed in fiscal 2014. If so, verify that management obtained documentation from the Governor's office that the board member had the qualifications required by ORC 187.02.

**Result**

We inquired of management and were informed that although there two vacancies on the board of directors during fiscal year 2014, there were no newly appointed or replacement board members during the fiscal year. As there were no new Board members appointed in fiscal 2014, there was no documentation signed by the governor to fill the vacancy and thus no further procedures were performed.

**Procedure 11**

Obtain a listing from JobsOhio of all individuals who were required to file a financial disclosure statement with the Ohio Ethics Commission ("OEC") according to ORC 187.03(B)(2). For each of these individuals who have filed a confidential statement, obtain from management the date such statement was filed and identify any statements not filed on or before May 15, 2014 or, if an individual is appointed or employed after that date and up to June 30, 2014, within 90 days after appointment or employment.

**Result**

We obtained a listing from management of all individuals who were required to file a financial disclosure statement. We inquired with management regarding the date such statements were filed and management informed us that the only statements filed after May 15, 2014 were for individuals hired subsequent to May 15, 2014 and prior to June 30, 2014. We noted that these four newly-hired employees all filed their disclosure within 90 days of their hire date (calculated as the number of days from the offer letter date to the date of filing) and before June 30, 2014. No exception was noted.

**Procedure 12**

Obtain the quarterly written reports of expenditures filed with the Ohio Development Services Agency ("ODSA") for the Governor and public officials designated by the Governor required to be submitted for compliance with ORC 187.03(B)(3) ("187.03 Report") for the period July 1, 2013 through June 30, 2014. Verify the date that each

report was submitted as required by inspecting email correspondence for the submittal. For submittals that cannot be verified by email, confirm in writing with ODSA the receipt date of the report. Verify that the report contained the following elements: the dollar value and purpose of each expenditure, the date of each expenditure, the name of the person that paid or incurred each expenditure, and the location, if any, where services or benefits of an expenditure were received. Obtain a copy of the business rules for preparing the 187.03 Reports (“Business Rules”). Select a sample of 10 transactions from the reports’ subledgers and compare and agree the dollar value, purpose of each expenditure, the date of each expenditure, and the location, if any, where services or benefits of an expenditure were received, to the Business Rules and corresponding documentation. Report any instances where the expenditure reported was not supported by the Business Rules and the supporting documentation.

## **Result**

We obtained the quarterly expenditure reports for fiscal year 2014, which reported a total of \$612 of expenditures. Only two of the quarterly reports reported expenditures, as there were no expenditures reported during the second and fourth quarters of fiscal year 2014. The quarters with expenditures, the first and third quarters of fiscal year 2014, contained columns which identified the following elements “dollar value”, “purpose”, “date”, “name of person that paid”, and “location”.

We selected a sample of 2 expenditures which represented 100% of expenditures reported in the first and third quarters of fiscal year 2014. For both of the transactions, we compared and agreed the information in the quarterly expenditure reports as reported in the columns which identified the elements of “dollar value”, “purpose”, “date”, “name of person that paid”, and “location” to the expenditure’s supporting documentation (i.e., receipt, invoice, or credit card statement). We also obtained the management prepared document entitled “Business Rules for ORC 187.07(B)(3) Report” (Business Rules) which summarizes management’s assumptions regarding the above elements when preparing the quarterly expenditure report. We noted that each reported transaction was supported by management’s Business Rules. No exception was noted.

## **Procedure 13**

Obtain minutes and a list of public meetings of the JobsOhio board of directors at which a quorum is required to be physically present under ORC 187.01(F), for the fiscal year ended June 30, 2014. Obtain JobsOhio’s method for notifying persons of the time/place of such public meetings, and obtain the notices given for each such meeting. Verify that a minimum of four meetings were held and that the minutes contained documentation that the meetings were open to the public except, by a majority vote of the directors present at the meeting, the meeting may be closed to the public. Ascertain that minutes were prepared, filed, and maintained for each of the meetings on the list of meetings provided by JobsOhio. For any such meetings during which a portion of the meeting was closed to the public, read the board approved description of why a portion of such meeting was closed to the public and verify it was for one or more of the following purposes:

- (1) To consider business strategy of the corporation;
- (2) To consider proprietary information belonging to potential applicants or potential recipients of business recruitment, retention, or creation incentives. For the purposes of this division, “proprietary information” means marketing plans, specific business strategy, production techniques and trade secrets, financial projections, or personal financial statements of applicants or members of the applicants’ immediate family, including, but not limited to, tax records or other similar information not open to the public inspection.
- (3) To consider legal matters, including litigation, in which the corporation is or may be involved;
- (4) To consider personnel matters related to an individual employee of the corporation. [ORC 187.03(C)]

**Result**

We obtained the board of directors meeting minutes for public meetings where a quorum is required to be physically present under ORC 187.01(F). Four such meetings were held during fiscal year 2014. Management informed us that their method for notifying persons of the time/place of such public meetings is to issue a press release one to two days prior to the meeting date. The dates of each meeting and the results of the relevant procedures enumerated above were as follows:

<u>Meeting date</u>	<u>Press release issued?</u>	<u>Documentation in minutes that meeting was public?</u>	<u>Minutes prepared, filed, and maintained?</u>	<u>Executive session (closed to public)?</u>	<u>If executive session, reason disclosed in minutes and is for one or more of the purposes indicated above?</u>
September 20, 2013	Yes	Yes	Yes	Yes	Yes
December 10, 2013	Yes	Yes	Yes	Yes	Yes
April 18, 2014	Yes	Yes	Yes	Yes	Yes
June 24, 2014	Yes	Yes	Yes	Yes	Yes

**Procedure 14**

Inspect the report submitted by the chief investment officer of JobsOhio to the Governor detailing the Corporation’s activities for the year ended December 31, 2013. Determine that it was submitted by March 1, 2014 by inspecting email correspondence for submittal. Through a written certification of management which will provide a listing of the pages from the report which correspond with the below five elements and inspection of the report, verify that the report contained the following five elements:

- (1) An analysis of the state's economy;
- (2) A description of the structure, operation, and financial status of the corporation;
- (3) A description of the corporation's strategy to improve the state economy and the standards of measure used to evaluate its progress;
- (4) An evaluation of the performance of current strategies and major initiatives;
- (5) An analysis of any statutory or administrative barriers to successful economic development, business recruitment, and job growth in the state identified by JobsOhio during the preceding year.

**Result**

We obtained and inspected the report entitled “JobsOhio 2013 Annual Report / 2014 Strategic Plan” which details JobsOhio’s activities for the year ended December 31, 2013. We obtained and inspected the email correspondence which transmitted this report to the Governor’s office and noted that the date of submittal was March 3, 2014. This date was the first business day after March 1, 2014.

We obtained from management a listing of the pages from the report entitled “JobsOhio 2013 Annual Report / 2014 Strategic Plan,” which corresponds to the five elements indicated in the procedure above. We compared and agreed the page numbers in the listing provided by management to the report. For the element specified in (5) above, management provided a one page document entitled “Top Issues to Improve Ohio’s Overall Competitiveness” and indicated that this document was submitted with the report. No exception was noted.

## Procedure 15

Obtain the contract entered into between JobsOhio and the ODSA to assist the ODSA in its functions and duties. Inquire of management whether there was a new contract entered into during the fiscal year ended June 30, 2014. If so, inspect the contract to ensure that it was fully executed as evidenced by signatures for parties listed on the agreement, and that it includes the following terms:

- (1) Terms assigning to the corporation (JobsOhio) the duties of advising and assisting the director in the director's evaluation of the agency (Ohio Development Services Agency) and the formulation of recommendations under section 187.05 of the Revised Code;
- (2) Terms designating records created or received by JobsOhio that shall be made available to the public under the same conditions as are public records under section 149.43 of the Revised Code. Among records to be designated shall be the following:
  - (a) The corporation's federal income tax returns;
  - (b) The report of expenditures described in division (B)(3) of section 187.03 of the Revised Code. The records shall be filed with the agency at such times and frequency as agreed to by the corporation and the agency, which shall not be less frequently than quarterly.
  - (c) The annual total compensation paid to each officer and employee of the corporation;
  - (d) A copy of the report for each financial audit of the corporation and of each supplemental compliance and control review of the corporation performed by a firm of independent certified public accountants pursuant to division (J) of section 187.01 of the Revised Code.
  - (e) Records of any fully executed incentive proposals, to be filed annually;
  - (f) Records pertaining to the monitoring of commitments made by incentive recipients, to be filed annually;
  - (g) A copy of the minutes of all public meetings described in division (C) of section 187.03 of the Revised Code not otherwise closed to the public.

## Result

We obtained the contract entered into between JobsOhio and the ODSA to assist the ODSA in its functions and duties which is entitled "Agreement for Services" and was executed on June 28, 2013 with an effective date of July 1, 2013. We also obtained the subsequent amendment to that contract which is entitled "Amended and Restated Agreement for Services" which was executed on September 30, 2013 and was effective as of that same date. Both contracts were fully executed as evidenced by signatures for both parties listed on the agreements. We inquired of management and were informed of the specific sections of the agreements which corresponded to the terms as indicated in items (1) through (2)(g) above. They are as follows:

Procedure referenced from above	Agreement for services dated June 28, 2013	Language from agreement
(1)	Exhibit I	Exhibit I is entitled "Scope of Work"
(2)	Section 10	Designation of Records to be Made Available to the Public. In accordance with the deadline established in Section 6 (e) of this Agreement, JobsOhio shall submit the following records for that prior fiscal or calendar year, as the case may be, to DSA:
(2)(a)	Section 10 (a)	JobsOhio's federal income tax returns, as filed, or any requests for extensions, if accepted by the Internal Revenue Service; in the event that JobsOhio's federal income tax return for a tax year is not filed by December 31st following the end of such tax year, JobsOhio shall provide that federal income tax return to DSA within 15 days of its filing with the Internal Revenue Service.
(2)(b)	Section 10 (b)	The quarterly reports 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), provided that notwithstanding anything herein, such reports shall be made available quarterly.
(2)(c)	Section 10 (c)	The annual total compensation paid to each officer and employee of JobsOhio.
(2)(d)	Section 10 (d)	A copy of the audit report for each financial audit of JobsOhio performed by an independent certified public accountant pursuant to ORC Section 187.01 (J).
(2)(e)	Section 10 (e)	Records of any fully executed incentive proposals between JobsOhio and businesses for the prior calendar year, defined as being the fully executed agreement between JobsOhio and businesses that result from an offer submitted by JobsOhio, subject to the redaction of confidential and/or trade secret information protected under existing statutory provisions of this Agreement.
(2)(f)	Section 10 (f)	Records pertaining to JobsOhio's monitoring of commitments made by incentive recipients to JobsOhio for the prior calendar year.
(2)(g)	Section 10 (o)	A copy of the minutes of all meetings described in ORC Section 187.03 (c) not otherwise closed to the public for the prior year.

Procedure referenced from above	Amended and restated agreement for services dated September 30, 2013	Language from agreement
(1)	Exhibit I	Exhibit I is entitled "Scope of Work"
(2)	Section 10	Designation of Records to be Made Available to the Public. In accordance with the deadline established in Section 6 (e) of this Agreement, JobsOhio shall submit the following records for that prior fiscal or calendar year, as the case may be, to DSA:
(2)(a)	Section 10 (a)	JobsOhio's federal income tax returns, as filed, or any requests for extensions, if accepted by the Internal Revenue Service; in the event that JobsOhio's federal income tax return for a tax year is not filed by December 31st following the end of such tax year, JobsOhio shall provide that federal income tax return to DSA within 15 days of its filing with the Internal Revenue Service.
(2)(b)	Section 10 (b)	The quarterly reports 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), provided that notwithstanding anything herein, such reports shall be made available quarterly.
(2)(c)	Section 10 (c)	The annual total compensation paid to each officer and employee of JobsOhio.
(2)(d)	Sections 10 (d) and (e)	A copy of the report for each financial audit of JobsOhio and of each supplemental compliance and control review of JobsOhio performed by a firm of independent certified public accountants to the ORC section 187.01(j)
(2)(e)	Section 10 (f)	Records of any fully executed incentive proposals between JobsOhio and businesses for the prior calendar year, defined as being the fully executed agreement between JobsOhio and businesses that result from an offer submitted by JobsOhio, subject to the redaction of confidential and/or trade secret information protected under existing statutory provisions of this Agreement.
(2)(f)	Section 10 (g)	Records pertaining to JobsOhio's monitoring of commitments made by incentive recipients to JobsOhio for the prior calendar year.
(2)(g)	Section 10 (p)	A copy of the minutes of all meetings described in ORC Section 187.03 ( c ) not otherwise closed to the public for the prior year.

### Procedure 16

Obtain from management email or other documentation of the filing with the ODSA the designated records described in the previous procedure.

### Result

We obtained a letter dated February 28, 2014 from JobsOhio to the Ohio Development Services Agency which listed the transmission of the relevant documents. Each of the items specified in the previous procedure as items 2(a) – (g) were included on the submittal letter except for the “supplemental compliance and control review of the corporation” specified in item 2(d). The supplemental compliance and control review of the corporation report specified in item 2(d) for the fiscal year ended June 30, 2013 was not completed until December 30, 2014.

### Procedure 17

Determine through inquiry of management and inspection of minutes of the board of directors whether there were any changes to the conflicts of interest policy of JobsOhio during the fiscal year ended June 30, 2014. If there were changes during that fiscal year, inspect the revised policy(ies) and ensure that it (they) continue to prohibit any

director of JobsOhio from soliciting or accepting employment with any person that receives or has received an incentive or other assistance as a result of a decision the director participated in as a director of JobsOhio.

### **Result**

We inquired of management who informed us that a change was made to the JobsOhio conflicts of interest policy during the fiscal year. We obtained the amended conflicts of interest policy and noted that it was effective December 10, 2013. Additionally, we inspected the policy and noted a statement of non-solicitation was included, reading “No Director shall solicit or accept employment with any person that receives or has received an incentive or other assistance as a result of a decision that such Director participated in as Director of the Corporation.” We obtained the minutes of the board of directors meeting that indicated that in the meeting held on December 10, 2013, the board approved a resolution which amended the conflicts of interest policy. We did not identify any other board actions related to the conflicts of interest policy as documented in the board meeting minutes for fiscal year 2014.

### **Procedure 18**

Inspect JobsOhio’s Board of directors’ minutes for disclosures of financial interests and report whether the minutes reflect that the conflicts of interest policy was followed.

### **Result**

We obtained all minutes of the board of directors meetings held during fiscal year 2014 and identified 4 instances where the board discussed financial disclosures. In each of the 4 instances, the board did not deem the circumstance to be a conflict of interest.

### **Procedure 19**

Haphazardly select a sample of 10 companies from the OEC compilation list (of each Board member’s employer or ownership interests the Board member reported per ORC 187.06 – the “OEC Compilation List”) dated August 15, 2014 for calendar year 2013 and compare it to the projects or arrangements made by JobsOhio taken from the DSA End-of-Year Report for calendar year 2013. Identify any companies in the sample that had active projects or arrangements, defined as having received an offer from JobsOhio, during the first six months of fiscal year 2014. From that list identify whether JobsOhio reported those companies where an offer had been made back to OEC by its letter to the OEC dated September 9, 2014.

### **Result**

We were informed by management that an “active” project for purposes of reporting back to the OEC was defined as a project where minimally an offer had been made. Therefore, for purposes of the performance of this procedure, we defined an active project according to this definition. In our sample of 10 companies from the OEC compilation list, we found that there were no active projects that were listed on the DSA End of Year Report for calendar year 2013, and as such no further procedures were performed.

### **Procedure 20**

For fiscal year 2014, obtain from the JobsOhio Director of Compliance the confidential list of each Board member’s and employee’s financial and fiduciary interests (the “JO Disclosures Lists”). From the JO Disclosures List, haphazardly select a sample of ten board members or employees and compare their financial and fiduciary interests with the projects or arrangements listed on the DSA End-of-Year Reports covering calendar year 2014. Where a board member or employee had a financial or fiduciary interest in an entity that JobsOhio had a project or arrangement with during fiscal year 2014, review the JobsOhio Salesforce Project File for the project or arrangement and identify whether the financial or fiduciary interest was noted in the Conflict of Interest section of that Project File. Report any project files where the potential conflict was not identified by JobsOhio. Additionally, inspect the rest of the Project File for the subject Board members’ or employees’ name and report if the person is listed as having participated in the Project.

**Result**

No exception was noted. Involvement in a project was determined by whether or not the board member or employee's name was contained in the electronic project file. Additionally, financial or fiduciary interest did not include consumer debt which includes credit cards, student loans, and car loans).

**Procedure 21**

From the list of projects or arrangements on the DSA End-of-Year Reports covering fiscal year 2014, haphazardly select a sample of 20 projects and provide them to the Director of Compliance. The Director of Compliance will provide a list of any Board member or employee names that were identified in the Project file for the selected Projects as participating in the Project ("Participants List"). Compare the Participants List to the JO Disclosure List and determine if any individuals on the Participants List had is listed as having a financial or fiduciary interest in the Project. If so, report whether JobsOhio noted the financial or fiduciary interest (not to include consumer debt which includes credit cards, student loans, and car loans) in the Conflicts of Interest section of that Project File.

**Result**

We haphazardly selected a sample of 20 projects from the DSA End-of Year reports which covered calendar year 2013 and calendar year 2014. For each of 20 projects selected, the Director of Compliance provided us with a list of any Board member or employee names which were identified in the Salesforce.com customer relationship management system as participating in the project. The list provided indicated that there were no Board members or employees which had participated in the 20 projects we selected. Therefore, no further procedures were performed.

**Procedure 22**

Verify through a demonstration of the software, that as of the date this agreed-upon procedures engagement was conducted, the conflict identification searches have been incorporated and implemented in JobsOhio's proprietary Salesforce software.

**Result**

Management provided a demonstration of their proprietary CRM software to substantiate that the conflict identification searches have been incorporated and implemented. No exception was noted.

**Procedure 23**

ORC 187.06(E) – Obtain Board and compensation committee meeting minutes and compare with a list of officers and employees who received compensation from JobsOhio during the fiscal year to identify whether any compensated officer or employee voted on or provided information to the Board or compensation committee pertaining to that individual's compensation.

**Result**

We obtained from management a listing of all board and compensation committee meeting minutes for fiscal year 2014. We also obtained a listing from management of officers and employees who received compensation from JobsOhio during the fiscal year. This listing contained the names of 57 individuals. We did not identify any instance in the board or compensation committee meeting minutes that were provided to us where any compensated officer or employee voted on or provided information to the Board pertaining to that individual's compensation.

**Procedure 24**

ORC 187.06(G) – Obtain a listing of each officer and director and ascertain that each individual listed has signed a statement affirming that the individual:

- (a) has received the conflicts of interest policy,
- (b) has read and understands the policy,
- (c) has agreed to comply with the policy, and
- (d) understands JobsOhio’s statutory purpose and that it is a nonprofit corporation.

**Result**

We obtained from management a listing of each officer and director in fiscal year 2014, which totaled 9 individuals. We also obtained the annual conflicts of interest statement for each of the individuals, noting that all statements were signed by the officer or director between September 2013 and February 2014. No exception was noted.

**Procedure 25**

ORC 187.06(H) – Inquire of management whether a periodic review that determined all of the following items was conducted during the fiscal year:

- (1) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm’s length bargaining;
- (2) Whether JobsOhio’s operations are consistent with its articles of incorporation, regulations, and contractual obligations, and are properly documented; and
- (3) Whether transactions are fair to JobsOhio, reflect reasonable investment or payments for goods and services, further JobsOhio’s statutory purpose or contractual obligations, and do not result in direct private benefit to directors, officers, or other persons, in other than a de minimis manner.

If no review was performed, inquire of management when the review will be completed. If such periodic review was completed, verify that the three elements listed above were covered by obtaining a written certification of management which will provide the corresponding page numbers from the periodic review report as to the location of the three elements. If such periodic review was not completed, inquire of management whether a periodic review was conducted covering any of the three elements listed above, and obtain documentation to verify same.

**Result**

We inquired of management and were informed that a periodic review that determined all of the above items was not conducted during fiscal year 2014. We inquired of management who indicated that such a review will be conducted during fiscal year 2015.

**Procedure 26**

Haphazardly select a sample of 10 expenditures from a detailed listing of expenditures which is compared to the audited financial statements and which consists of all expenditures excluding salaries and benefits. For each sample item, obtain the related documentation, which may include an invoice from the vendor or a contract/agreement. Report any sample items for which the documentation evidences the expenditure was not related to JobsOhio's nonprofit purpose as stated in Article III of the Amended and Restated Articles of Incorporation filed with the Ohio Secretary of State, dated October 21, 2013.

**Result**

The total expenditures in fiscal year 2014, which did not include salaries and benefits amounted to \$15,925,799. The total of the 10 expenditures that were haphazardly selected amounted to \$1,363,674. We inspected the expense description in the listing and on the invoice or contract/agreement and inquired of management regarding the nature of the expense item and based on those procedures each of the 10 selected items appeared to be for the stated purpose of JobsOhio. No exception was noted.

**Procedure 27**

ORC 187.061(A) – Obtain the ethical conduct statement and the gift policy acknowledgement for all officers and employees of JobsOhio and compare such statements to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2014.

**Result**

We obtained a listing provided by management which consisted of 46 employees and 3 officers of the board of directors. We compared and agreed each of the employees' names (excluding officers of the board of directors) from the last payroll register for JobsOhio for the fiscal year ended June 30, 2014, which had a pay date of June 28, 2014 to the listing of names provided by management. For each of the employees and officers listed, we obtained their respective ethical conduct statement and their gift policy acknowledgement. No exception was noted.

**Procedure 28**

ORC 187.061(A) – Obtain completion certificates or attendance register for annual course or program of study on ethics for all officers and employees of JobsOhio and compare the names of officers and employees to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2014.

**Result**

We obtained the last payroll register for JobsOhio for the fiscal year ended June 30, 2014 which had a pay date of June 30, 2014. A total of 46 employees were listed. We compared each of the employees' names to the course attendance register provided by management for the ethics course which was entitled "JobsOhio Staff Ethics Training, September 16, 2013". For 20 of the employees, we noted they were listed on the course attendance register. For 25 of the employees, management informed us that the employees were hired subsequent to the September 16, 2013 course date and thus did not attend. We obtained the employment offer letters for each of these 25 employees and verified that the date listed on the employment offer letters was subsequent to September 16, 2013. The remaining 1 employee was employed as of the training date but did not attend. Management provided the "JobsOhio Annual Ethics Training Acknowledgement" form which was signed by the employee and certified that the employee received and reviewed the "Study in Ethics for the Directors, Officers and Employees" of JobsOhio. This form was signed on December 30, 2013.

Additionally, management provided us the attendance register for the ethics course which was entitled "Annual Ethics Training" and which was held on September 22, 2014. We compared the names of the 25 employees whose names were not listed on the September 16, 2013 ethics training attendance register to the September 22, 2014 ethics training attendance register. Eighteen (18) of the 25 employees were listed on the September 22, 2014

attendance register. Of the remaining 7 employees, we inquired of management and performed the following procedures:

- Six employees were no longer employed as of the September 22, 2014 training. For each of these employees, management provided the "JobsOhio Annual Ethics Training Acknowledgement" form which was signed by the employee and certified that the employee received and reviewed the "Study in Ethics for the Directors, Officers and Employees" of JobsOhio. This form was signed during the fiscal year ended June 30, 2014.
- One employee did not attend any ethics training during fiscal year 2014.

For the 3 officers of the board of directors (i.e., President, Secretary, and Treasurer), management provided a copy of the minutes from the board of directors meeting held on December 10, 2013. We read these minutes and noted that they contained a reference to the board members attending ethics training prior to the board meeting. However, management informed us that no attendance register or completion certificates were maintained. Two of the 3 officers were listed as attendees at the board of directors meeting. The third officer was not listed and management indicated that the officer did not attend the required ethics training during fiscal year 2014.

#### **Procedure 29**

Obtain a written representation from JobsOhio management that the Corporation has not made any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01.

#### **Result**

We obtained a written representation from JobsOhio management which positively stated that the Corporation did not make any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01.

#### **Procedure 30**

Obtain the formal investment policy adopted by the board of directors for JobsOhio which is in effect as of June 30, 2014. Obtain a listing of investments as of June 30, 2014 and compare the type of investments with the policy. Report any investments that do not conform to the policies adopted by the Board of Directors.

#### **Result**

We obtained the formal investment policy as well as the listing of investments held by JobsOhio as of June 30, 2014. We compared and agreed the type of investments held as of June 30, 2014 to the permitted investments per the formal investment policy. No exception was noted.

### JOBS

#### **Procedure 31**

Obtain a copy of the conflicts of interest policy of JOBS. Inquire of management if any changes or amendments were made during fiscal year 2014. If so, inspect action of the board of directors evidencing formal adoption and approval.

#### **Result**

We obtained a copy of the conflicts of interest policy and inquired of management and were informed that there were not changes or amendments made to the policy during fiscal year 2014. Therefore, no further procedures were performed.

**Procedure 32**

The January 2013 amended articles of incorporation, Article VI: Board of Directors, Section 6.5 Independent Directors, in part states “The Board shall at all times have at least two Independent Directors.” Obtain a list of the Board of Directors as of June 30, 2014 and verify through an examination of management’s documentation that at least two of the directors were deemed by management to be independent, as described in 6.5(a) and (b).

**Result**

We obtained the list of the board of directors at June 30, 2014 as well as management’s documentation to evidence that for at least two of the directors, the elements for independence as described in 6.5(a) and (b) were met. Management provided us resumes for two of the directors that were obtained either from the web site of the company which the director was employed by or their resume from the LinkedIn web site. Additionally, management provided internal documentation that stated that management assessed and deemed the two directors to be independent. This document was dated during the performance of our procedures.

**Procedure 33**

Obtain a written representation from JOBS’s management that JOBS has not made any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01.

**Result**

We obtained a written representation from JobsOhio management which positively stated that JOBS has not made any contribution to any campaign committee, political party, legislative campaign fund, political action committee, or political contributing entity as those terms are defined in ORC 3517.01. No exception was noted.

**Procedure 34**

Obtain the formal investment policy adopted by the Board of Directors for JOBS, which is in effect as of June 30, 2014. Obtain a listing of investments as of June 30, 2014 and compare the type of investments with the policy. Report any investments that do not conform to the policies adopted by the Board of Directors.

**Result**

We inquired of management who informed us that no such listing was prepared since JOBS did not hold any investments at June 30, 2014. Therefore, no further procedures were performed.

**Procedure 35**

Determine if JOBS-DLC Operations Services Agreement was modified, supplemented and/or amended at any time through inquiry with JOBS management. If it was, determine if both parties agreed to the change(s) as evidenced by written signatures by both parties.

**Result**

We inquired of JOBS’ management and were informed that the JOBS-DLC Operations Services Agreement was not modified, supplemented, and/or amended at any time during fiscal year 2014. Therefore, no further procedures were performed.

**Procedure 36**

Through inquiry with JOBS management, determine if Expense Budget Principles used to prepare the Expense Budget for Ordinary Operating Expenses submitted by DLC to JOBS changed during the fiscal year. If the “budget principles” changed, obtain documentation that JOBS and DLC mutually agreed to the changes as evidenced by written signatures by both parties.

**Result**

We inquired of JOBS’ management and were informed that the Expense Budget Principles did not change during fiscal year 2014. Therefore, no further procedures were performed.

**Procedure 37**

Verify that JOBS paid DLC the Estimated Expense Payment identified in the Expense Budget document no later than the 1st day of each quarter as evidenced by the date on the disbursement utilized to pay such amounts.

**Result**

We obtained the check copies dated July 1, 2013; October 1, 2013; January 1, 2014; and April 1, 2014 which paid the Estimated Expense Payment identified in the Expense Budget document. We compared the amount of the check to the Expense Budget document noting that all amounts agreed with the exception of the October 1, 2013 check which was properly reduced by a prepaid credit from the prior fiscal year. No exception was noted.

**Procedure 38**

Following the fiscal year ended June 30, 2014, determine if JOBS made an over-payment or under-payment of actual ordinary operating expenses by obtaining the JOBS Annual Reconciliation Report which is calculated by DLC. If an overpayment has been made, verify the overpayment was credited as an adjustment amount against the Estimated Expense Payment for the second quarter of the following fiscal year. If an under-payment was made, verify JOBS paid such adjustment amount to DLC no later than 31 days after receipt of DLC’s written notice and calculation of such under-payment as evidenced by the date on the disbursement utilized to pay such amount.

**Result**

We obtained the “JOBS Annual Reconciliation Report-All JobsOhio Funds” report dated August 13, 2014 which is compiled by DLC and provided to JOBS. This document indicated that JOBS made an over-payment for fiscal year 2014 in the amount of \$337,846. We obtained the Fee Budget for fiscal year 2015 which indicated that the first quarter fiscal year 2015 ordinary operating expense amount to be paid by JOBS was \$1,050,809. The payment of the first quarter fiscal year 2015 ordinary operating expense was made on October 1, 2014 in the amount of \$712,963 and was calculated by JOBS management as \$1,050,809 less the \$337,846 over-payment credit. We also obtained the check disbursement made by JobsOhio to the Ohio Department of Commerce which was dated October 1, 2014 and agreed the \$712,963 required payment to the check copy.

**Procedure 39**

Through a review of the JOBS Annual Reconciliation Report for 2014, determine whether JOBS management approved any Extraordinary Expense (as defined in Section 2.1 of the Operations Service Agreement) in an amount greater than 2% of the total Estimated Expenses for the Fiscal Year, individually or 4% of the total Estimated Expenses for the Fiscal Year in the aggregate. If not approved by JOBS, verify that JOBS provided DLC with written notice of its disapproval within 20 days of its receipt of DLC’s request to make such Extraordinary Expense as evidenced by email correspondence from JOBS.

**Result**

We obtained the “JOBS Annual Reconciliation Report-All JobsOhio Funds” report dated August 13, 2014 which is compiled by DLC and provided to JOBS. This document did not list any extraordinary expenses approved in fiscal year 2014. Therefore, no further procedures were performed.

**Procedure 40**

Determine if the annual allowance for Extraordinary Expenses in an amount equal to 4% of the total estimated expenses for such fiscal year was paid to DLC by JOBS no later than 15 days after the effective date as evidenced by the date on the disbursement utilized to pay such amount. If the amount of any extraordinary expense permitted or approved under the Sections 2.4(a) or 2.4(b) is above the current balance in the Allowance Fund at DLC, ensure JOBS paid the amount not covered by the funds in the Allowance Fund to DLC no later than 30 days after receipt of written request from DLC as evidenced by the date on the disbursement utilized to pay such amount.

**Result**

We recalculated that the Extraordinary Expenses amount was equal to 4% of the total estimated expenses by multiplying the total expenses of \$13,949,342 per the "Ohio Department of Commerce JobsOhio Fee Budget FY 2014 / 2015" by 4% which equals \$557,974. We compared this amount to the check copy payment to DLC dated July 1, 2014 noting that the Extraordinary Expenses amount of \$557,974 was included in the total check amount. No exception was noted.

**Procedure 41**

Through inquiry and review of service fees, determine if any Capital Expenditures (as defined in Section 2.1 of the Operations Service Agreement) occurred. Inquire of management and inspect documentation that the capital expenditures were necessary and appropriate for the improvement of the services or operation of the Liquor Business and were approved by JOBS.

**Result**

We inquired of JOBS' management and were informed that no Capital Expenditures occurred during fiscal year 2014. We also obtained the FY14 / FY15 JobsOhio Fee Budget report dated June 7, 2013 which is provided to JOBS by DLC. No Capital Expenditures were identified in this report and all current year amounts disbursed were characterized as operating expenses or liquor modernization expenses. No further procedures were performed.

**Procedure 42**

Inspect bank statements and determine whether JOBS maintained a "Gross Receipts" bank account (defined by JOBS as Revenue Fund) for the collection of all gross revenue and applicable taxes collected by the Liquor Business from the sale of Spirituous Liquor in the State. Haphazardly select a sample of 20 deposits from the bank statements of the Revenue Fund and vouch that they originated from the KeyBank sweep account. Haphazardly select a sample of 20 disbursements from the Revenue Fund bank statements and determine that they related only to the Liquor Business and were not co-mingled with funds from JOBS other operations or activities.

**Result**

Management provided us bank statements for the bank account entitled "Jobs Ohio Beverage System Revenue Fund" to evidence maintenance of the "Gross Receipts" bank account.

We haphazardly selected a sample of 20 deposits from the bank statements for the Gross Receipts which totaled \$88,433,622 and compared and agreed such amounts to the KeyBank sweep account. No exception was noted.

We haphazardly selected a sample of 20 disbursements from the bank statements for the Gross Receipts account which totaled \$152,407,185 and based on descriptions on the disbursement documents (i.e., invoices, etc.) determined that the disbursement was related to the liquor business. No exceptions were noted related to the procedures performed for the cash disbursement selections.

**Procedure 43**

Obtain a listing of Liquor Tax payments from JOBS management and haphazardly select a sample of ten Liquor Tax payments. Verify that JOBS (or the Master Trustee on its behalf) paid applicable Liquor Taxes on or before the 5th and 20th days of the calendar month following applicable tax calculations made by DLC as evidenced by the date on the disbursement utilized to pay such amount.

**Result**

We selected ten tax payments made during fiscal year 2014 which totaled \$41,195,180. No exception was noted.

**Procedure 44**

Through inquiry of management, determine if JOBS provided DLC with a written copy of any proposed New Vendor Contract for the operation of the Liquor Business. Inspect all contracts identified and determine that notification occurred no later than 30 days prior to the effective date of such New Vendor Contract.

**Result**

We inquired of management and were informed that there were four new vendor contracts entered into during fiscal year 2014. We inspected the contracts which all had an effective date of June 1, 2014. Management provided the email notification that was provided to DLC on May 30, 2014 which transmitted the final fully executed contracts. No notification occurred to DLC related to the proposed contracts within the 30 day requirement.

**Procedure 45**

Obtain a listing of Commission and Vendor Payment disbursements from JOBS management. From the Commission and Vendor Payment disbursements list provided by JOBS, haphazardly select a sample of 20 transactions and inspect electronic records and determine that Jobs provided DLC with an electronic record no later than the same day on which such disbursements were made.

**Result**

We haphazardly selected a sample of 20 transactions from the listing of Commission and Vendor Payment disbursements provided by management for the period July 1, 2013 to June 30, 2014. Total transactions were \$570,538,582. The 20 items sampled totaled \$2,392,248 and we noted that JOBS provided DLC with an electronic record no later than the same day on which such disbursements were made. No exception was noted.

**Procedure 46**

Inquire of management and through review of documentation determine if JOBS provided (i) unaudited, interim Financial Statements no later than 30 days after their preparation and (ii) audited Financial Statements no later than 90 days after the end of the fiscal year to DLC.

**Result**

We inquired of JOBS' management and were informed that the unaudited interim financial statements were not submitted to DLC. Management indicated that the unaudited interim financial statements were formally submitted only to the Electronic Municipal Market Access System (<https://emma.msrb.org>).

We obtained the email correspondence from JOBS to DLC which submitted the audited financial statements for JOBS for the year ended June 30, 2014. This email correspondence was dated September 25, 2014 which is 87 days after the end of the fiscal year and thus within the 90 day requirement.

**Procedure 47**

Obtain from JOBS management a listing of all tax payments by JOBS to the Ohio Treasurer of State (OTS). Haphazardly select a sample of 10 payments and provide the payment dates and amounts to the DLC. For each payment, obtain from DLC management a written representation as to whether or not the OTS's receipt of the payment in the OTS's State Bank Account for Taxation was within 30 days of the date of payment, observed by DLC using the web portal provided by Key Bank. Obtain from DLC copies of the bank transaction receipt for each such payment.

**Result**

We obtained a listing of all tax payments, which numbered 24 and amounted to \$93,650,695. We haphazardly selected 10 tax payments which totaled \$41,195,180 to apply the above procedure. We obtained a written representation from DLC management which positively confirmed that the OTS's receipt of the payment in the OTS's State Bank Account for Taxation was within 30 days of the date of the payment for all 10 sample items. We also requested from DLC copies of the bank transaction receipt for each of the 10 selections. DLC provided the bank transaction receipt for all but one of the selections. For one of the selections, DLC did not have the bank transaction receipt and instead provided a copy of DLC's payment to the Ohio Treasurer of State and a screen shot showing the payment was approved.

**Procedure 48**

Obtain from management the documentation to determine if JOBS maintained insurance for the operation of the liquor business and vouch that it contained comprehensive general liability insurance with a minimum \$3 million single limit.

**Result**

We obtained the insurance declarations page from JOBS general liability insurance which indicated that the coverage was \$1,000,000 for each occurrence and an additional \$5,000,000 umbrella coverage for a total of \$6,000,000. Coverage periods of the insurance were February 10, 2013 to February 10, 2014 and February 1, 2014 to February 1, 2015. The coverage was the same for both coverage periods. No exception was noted.

**Procedure 49**

Obtain from management documentation to determine if JOBS maintained a special form policy of insurance (formerly known as all-risk insurance) covering all equipment, furniture, leasehold improvements and betterments, furnishings, contents, merchandise, inventory, trade fixtures, signs and other personal property of JOBS, if any, in an amount equal to 100% of the replacement cost.

**Result**

We obtained the insurance declarations page issued in JobsOhio's name which covered other personal property. Further, we obtained the declarations page for policies covering policy effective dates of February 10, 2013 to February 10, 2014 and February 1, 2014 to February 1, 2015. The limits indicated for the policy period of February 10, 2013 to February 10, 2014 were as follows: (1) business personal property - \$300,000; (2) business income including rental value - \$292,638; and (3) tenant's improvement and betterment - \$351,618. The limits indicated for the policy period of February 1, 2014 to February 1, 2015 were as follows: (1) business personal property - \$350,000; (2) business income including rental value - \$308,166; and (3) tenant's improvement and betterment - \$503,000.

We also obtained the insurance declarations page issued in JobsOhio's name which covers "wine, beers, and spirits" which management informed us was the insurance coverage for JOBS inventory. Further, we obtained the declarations page for policies covering policy effective dates of February 1, 2013 to February 1, 2014 and February 1, 2014 to February 1, 2015. The coverage amount was \$2,500,000 in any one occurrence for the coverage period of February 1, 2013 to February 1, 2014. The coverage was the same for the policy period of February 1, 2014 to February 1, 2015 except that the coverage was \$250,000 at any one unnamed location.

#### **Procedure 50**

Inquire of management if there were any cancellations, reductions, or restrictions of the insurance coverage specified in procedures 48 and 49. If there were changes, determine if JOBS provided updated evidence of the coverage to DLC no less than 30 days prior to the expiration of each coverage period as evidenced by email correspondence for submittal.

#### **Result**

We inquired of JOBS' management who informed us that there were no cancellations, reductions, or restrictions in coverage during fiscal year 2014.

#### **Procedure 51**

Inquire of management if they have a process in place to determine if "reportable events" have occurred per Section 6 of the Continuing Disclosure Undertaking Agreement. Inquire of management whether any reportable event did occur that was required to be disclosed. If so, determine by reference to the Electronic Municipal Market Access System (<https://emma.msrb.org>) that the disclosure was made.

#### **Result**

We inquired of JOBS' management and were informed that there is a procedure in place to determine if "reportable events" have occurred. Management also informed us that no "reportable events" occurred during fiscal year 2014 which were required to be disclosed per Section 6 of the Continuing Disclosure Undertaking Agreement. No further procedures were performed based upon management's response.

#### **Procedure 52**

Obtain from management filings to the Trustee (as evidenced by email correspondence for submittal), for filing on the MSRB's EMMA system, the following financial information with respect to the Series 2013 Bonds:

- (a) Within 120 days, or when available, the audited financial statements for the year ended June 30, 2013.
- (b) Within 60 days of the close of each March 31, June 30, September 30, and December 31, commencing June 30, 2013, financial information for the preceding 3 month period, including unaudited financial statements and income statements, if audited financial statements are not available. Perform this procedure for any 3 month period for which the filing date was in fiscal year 2014.
- (c) Within 120 days of the close of each fiscal year, commencing June 30, 2013, operating data of the general type included under the heading, "THE LIQUOR ENTERPRISE" in the Final Offering Circular. Perform this procedure for the required filing which occurred in fiscal year 2014.

Report any instances where the filings were not made to the Trustee within the time period specified above.

#### **Result**

All the above referenced filings were made within the required time periods specified above except for the filing required in items "a" and "c" above. The audited financial statements and the operating data of the general type included under the heading, "THE LIQUOR ENTERPRISE" in the Final Offering Circular for the year ended June

30, 2013 were sent to the Trustee on October 31, 2013 which was 123 days after the fiscal year end and the requirement for both was 120 days.

**Procedure 53**

For a haphazardly selected sample of six weeks, determine if JOBS provided the Trustee with an Officer's Certificate providing an estimated Operating Expense of the Liquor Enterprise for the next week, including the amounts estimated to be paid under the Service Agreement.

**Result**

No exception was noted. We tested weeks beginning August 19, 2013; September 30, 2013; December 16, 2013; February 10, 2014; April 21, 2014; and May 26, 2014.

**Procedure 54**

Obtain management's calculation of the Minimum Debt Service Coverage Ratio. Recalculate the Minimum Debt Service Ratio and verify that it was at least 1.35 as required in Sections 1.1 and 14.5 of the FTA.

**Result**

We obtained the management prepared document entitled Debt Coverage Statement which was addressed to the Ohio Office of Budget and Management and the Ohio Department of Commerce. We recalculated the Minimum Debt Service Coverage Ratio noting the ratio was in excess of 1.35. We did not perform any procedures to verify the accuracy of the amounts provided in management's calculation.

**Procedure 55**

If the Minimum Debt Service Ratio of 1.35 is not met, inquire of management if JOBS retained a consultant no later than 30 days after completion of the fiscal year during which the ratio was not met to review, analyze, and make recommendations with respect to revenues, expenses and operations to DLC. Inspect documentation that a consultant was retained. Determine that a written report was submitted to DLC, JOBS and the State within 60 days of the issuance of the written engagement report.

**Result**

The Minimum Debt Service Ratio was greater than 1.35 as calculated in Procedure 55. Therefore, no further procedures were performed.

**Procedure 56**

Inquire of management and review documentation that a control has been implemented to monitor the expense budget so that JOBS is not paying for any activity related to the regulation, licensure, or enforcement of the sale of Spirituous Liquor, beer, wine or mixed beverages in the State, including excluded regulatory activities as identified within the Operations Service Agreement.

**Result**

We inquired of management and were informed that a control has been implemented to monitor the expense budget. We obtained and read a management prepared document which outlined the related requirements and procedures that management has implemented.

**Procedure 57**

Inquire of management whether JOBS provided any direction, either oral (confirmed in writing) or written, to the Trustee to invest or reinvest money in the Debt Service Fund and the Debt Service Reserve fund. If so, determine by reference to relevant bank statements whether money in such funds was invested and reinvested in accordance with such direction.

**Result**

We inquired of JOBS' management who informed us that no direction was provided to the Trustee to invest or reinvest money in the Debt Service Fund and the Debt Service Reserve Fund during fiscal year 2014. Based on management's response, no further procedures were performed.

**Procedure 58**

Inquire of management and through inspection of management provided memorandum to the Ohio Office of Budget and Management, determine if Liquor Enterprise Profits exceeded the Base Franchise Profits (for fiscal year 2014, the base amount is \$265,225,000.) If the Base Franchise Profits were exceeded, recalculate that the cash payment made to the state (the Deferred Payment) was equal to 75% of the amount by which the Liquor Enterprise Profits exceeded the Base Franchise Profits. Verify that JOBS paid the calculated amount to the state by vouching the payment.

**Result**

We inquired of management who informed us that the memorandum to the Ohio Office of Budget and Management is entitled the "Deferred Payment Notice". We obtained the Deferred Payment Notice which indicated that the Liquor Enterprise Operating Profits were \$283,931,135 which exceeded the base amount of \$265,225,000 by \$18,706,135. We recalculated the resultant Deferred Payment amount of \$14,029,601 by multiplying the \$18,706,135 by 75%. We also obtained the JOBS' bank statement for August 2014 and verified that the payment of \$14,029,601 was made on August 29, 2014.

**Procedure 59**

Obtain a schedule of debt service requirements from management for the fiscal year 2014. Verify that JOBS paid each debt service amount by vouching to the check or wire transfer and ensuring that the payment was made on or before the debt service requirement due date.

**Result**

The debt service requirements schedule obtained from management indicated that a total of four debt service payments were required to be paid during fiscal year 2014. Total required debt service payments were \$54,944,141. All payments were made by wire. Two of the debt service payments totaling \$24,974,610 were made on the debt service requirement due date. The other two payments totaling \$29,969,531 were made one day later than the debt service requirement due date. These payments were both due on January 1, 2014 and they were made on the first business day following this holiday date on January 2, 2014.