

# OHIO AUDITOR OF STATE KEITH FABER



February 28, 2019

To the people of the State of Ohio:

In an effort to enhance transparency and provide greater public insight into JobsOhio's operations, the Ohio General Assembly passed legislation requiring JobsOhio to work with the Auditor of State to select an independent private audit firm who would conduct a compliance and control review that would be shared with the public. This report is the culmination of those efforts. We thank JobsOhio for their cooperation during this process and to the independent audit firm for working with the Auditor of State's Office to complete a meaningful review of JobsOhio operations.

By way of background, JobsOhio is a 501(c)(4) non-profit corporation designed to promote and drive economic development through job creation and new capital investment in Ohio through business attraction, retention and expansion efforts. During the fiscal year ended June 30, 2018, JobsOhio had total operating expenses of \$118,569,000 in pursuant of this task.

As mentioned above, the General Assembly requires that JobsOhio work with the Auditor of State to select a private independent auditor to perform an engagement reviewing compliance with relevant statutes and internal controls for JobsOhio.

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 the fulfillment of those statutory obligations for the fiscal year ended June 30, 2018. 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 work should be performed and to review the report. The work, and this report, are the product of the private auditor, Deloitte & Touche LLP.

Accordingly, we express no professional opinion regarding it or the operations and finances of JobsOhio.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

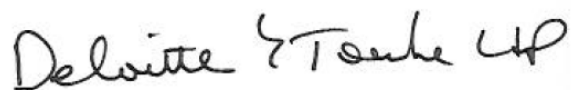
To the Board of Directors and Management  
JobsOhio and JobsOhio Beverage System  
Columbus, Ohio

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by JobsOhio, a component unit of the State of Ohio, and its sole component unit JobsOhio Beverage System (collectively, the "Entity"), and the Auditor of State of Ohio, solely to assist you in your evaluation of the Entity'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, 2018. The Entity's management is responsible for the Entity's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the Entity and the Auditor of State of Ohio. 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.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. 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 by the entity's management and the audit committee of JobsOhio (the "Audit Committee") and the Auditor of State parties and is not intended to be, and should not be, used by anyone other than these specified parties.



Columbus, Ohio  
February 6, 2019

## **EXHIBIT A – AGREED-UPON PROCEDURES FOR COMPLIANCE MATTERS FOR THE YEAR ENDED JUNE 30, 2018**

### **JobsOhio**

#### ***Procedure 1***

Obtain from management a list of JobsOhio credit cardholders and the credit card statements for four months selected randomly during fiscal year 2018. 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. Ascertain whether or not an authorized approver approved each selected employee expense report and compare and agree the amounts to the credit card statement.

#### *Results*

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's Chief Financial Officer (CFO) or a designated member of the accounting team downloads the credit card statement each month from the bank website and forwards each cardholder's individual statement to the cardholder. The cardholder then prepares an expense report and provides receipts, which is sent to an authorized approver for review. JobsOhio's CFO or a designated member of the accounting team then reviews each report to ensure that each transaction on the credit card statement agrees without exception to an approved entry on an expense report.

We obtained one employee expense report for each of the randomly selected four months (November 2017, December 2017, March 2018, and June 2018) during fiscal year 2018 along with supporting receipts. The total of the expense reports amounted to \$2,174. 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 employees selected were included on the employee expense report. The employee expense reports were approved by an authorized approver, who was listed on the authorized approvers list provided by management. No exceptions were found as a result of applying the procedure.

#### ***Procedure 2***

Randomly select a sample of 20 expenditures, which are not credit card or payroll transactions, from a detailed listing of expenditures for fiscal year 2018. Within the expense management software system (EMSS) used by JobsOhio, ascertain whether or not there were two different approvals including a member of the leadership team for each of these expenditures. The leadership team includes: The President and Chief Investment Officer, Senior Advisor, Senior Managing Directors, Managing Directors, Executive Director of Operations, General Counsel and Chief Financial Officer.

#### *Results*

We randomly selected 20 expenditures from the detailed listing of expenditures for fiscal year 2018 provided by management. For each of the expenditures, we obtained a screenshot of the Approval Flow within EMSS to see if there were two different approvals including a member of the leadership team. Four expenditures did not include an approval from the leadership team. However, all of the four approvals were made by JobsOhio managers directly responsible for supervising the employees.

#### ***Procedure 3***

ORC 187.01(F)(2)—Inquire of management if an employee compensation plan was approved by the JobsOhio Board of Directors ("Board") and obtain a copy of minutes of the Board documenting such approval. If such plan was approved, randomly select a sample of 10 employees from the payroll

register for the last payroll paid in June 2018 and compare the employee's compensation to the approval by the President and Chief Investment Officer (CIO) in accordance with the plan, by reference to the employee's offer letter or other wage documentation.

#### *Results*

We inquired of management and were informed that an employee compensation plan was approved by the Board on December 14, 2017. We inspected meeting minutes for the executive session of the Board, which evidenced such approval. The compensation plan requires the Board to approve the compensation for executives and management to approve the compensation for all other employees. We randomly selected a sample of 10 employees from the June 28, 2018 payroll register, which was the last payroll pay date of the fiscal year. For the ten sampled employees, we obtained the employee's respective offer letter, adjustment authorization form, or promotion letter, if applicable, and observed the compensation amount was approved by the President and CIO for ten of the employees. We also obtained the employees' payment stub dated June 28, 2018. We multiplied the pay rate per the payment statement by 26 as payroll is paid biweekly to recalculate the annual compensation amount approved by the President and CIO. We then compared and agreed the annual pay rate to the approved amount for all 10 employees selected. No exceptions were found as a result of applying the procedure.

#### **Procedure 4**

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 2018.

#### *Results*

We inspected the minutes of the Board of Directors and confirmed that the strategic plan for calendar year 2018 was established on February 20, 2018. No exceptions were found as a result of applying the procedure.

#### **Procedure 5**

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 President and CIO. Compare such contracts with the minutes of the Board to ascertain whether or not the Board approved these contracts.

#### *Results*

We obtained the list of major contracts from management (as defined by the JobsOhio Board) for services recommended by the President and CIO. The contracts were compared to minutes of the Board and we confirmed Board approval of these contracts. No exceptions were found as a result of applying the procedure.

#### **Procedure 6**

ORC 187.01(G)—Obtain from management a listing of disbursements, and the corresponding documentation, made to Board members in fiscal year 2018. Inspect the corresponding documentation to ascertain whether or not the disbursements were for travel, lodging, meals, or supplies. If the disbursement was not for travel, lodging, meals, or supplies, then inspect documentation and inquire of management to ascertain if the disbursement was for compensation. List any disbursements to Board members that were for compensation.

#### *Results*

We obtained a listing of disbursements made to the Board of Directors in fiscal year 2018, which listed 45 disbursements for a total of \$20,205.95. We inspected the corresponding documentation (invoices and expense reimbursement forms) in order to note the classification of the disbursements. All of the

disbursements were classified as travel, lodging, meals, or supplies. No exceptions were found as a result of applying the procedure.

### ***Procedure 7***

Obtain the Board minutes and through inspection of the minutes ascertain whether or not there were any new Board members appointed in fiscal year 2018. If so, inspect documentation obtained by management and obtain a management's representation indicating the new Board member had the qualifications required by ORC 187.02.

### ***Results***

We obtained the Board of Directors minutes for fiscal year 2018 and observed one new appointment. We obtained and inspected appointment documentation from management. We obtained a management's representation indicating that the individual appointed to the Board of Directors had the qualifications required by ORC 187.02. No exceptions were found as result of applying this procedure.

### ***Procedure 8***

Obtain the 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 the individuals who were required to file a confidential statement, obtain from management the file-stamped cover page for the financial disclosure statement and compare to the date such statement was filed. Identify the number of statements not filed on or before May 15, 2018, or, if an individual is appointed or employed after that date and up to June 30, 2018, within 90 days after appointment or employment (as calculated from the start date indicated on the employee's offer letter).

### ***Results***

We obtained a listing from management of all individuals who were required to file a financial disclosure statement with the OEC. Management indicated that employees are required to file if they carry the title of program manager or above (or if an individual sits on the Board of Directors). For each employee, we obtained the file-stamped cover page for the financial disclosure statement and observed that such statement was filed on or before May 15, 2018. No exceptions were found as a result of applying the procedure.

### ***Procedure 9***

Obtain the quarterly written reports of expenditures filed with the Ohio Development Services Agency (DSA) 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, 2017 through June 30, 2018. Obtain email correspondence for the report submittal to ascertain whether or not the report was submitted as required. For submittals that were not evidenced by email, confirm in writing with DSA the receipt date of the report. Inspect the report for 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"). Randomly select a sample of up to 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.

### ***Results***

We obtained the quarterly written reports of expenditures filed with the Ohio DSA 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, 2017, through June 30, 2018, which reported a total of \$25,564.34 in expenditures. There were no expenditures reported on the the reports covering

the periods from March 1, 2018 through June 30, 2018. The reports with expenditures contained columns, which identified the following elements "dollar value," "purpose," "date," "name of person that paid," and "location." We observed the date that each report was submitted as required by inspecting email correspondence for the submittal. We also obtained a copy of the most updated business rules for preparing the 187.03 Reports ("Business Rules") dated July 1, 2014. We randomly selected a sample of 10 transactions, amounting to \$16,401.52 from the reports' subledgers. For all samples, we compared and agreed 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. We confirmed that each reported transaction was supported by management's Business Rules and supporting documentation for 10 of the 10 selections. No exceptions were found as a result of applying the procedure.

### **Procedure 10**

Obtain minutes and the list of public meetings of the Board at which a quorum is required to be physically present under ORC 187.01(F), for the fiscal year ended June 30, 2018. Obtain JobsOhio's method for notifying persons of the time/place of such public meetings, and obtain the notices given for each such meeting. Ascertain whether or not 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 whether or not these 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, inspect the Board-approved description of why a portion of such meeting was closed to the public and ascertain whether or not 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 maybe involved.
- (4) To consider personnel matters related to an individual employee of the corporation. [ORC 187.03(C)].

### **Results**

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). Three such meetings were held during fiscal year 2018. One meeting was originally planned for June 22, 2018, but it was postponed to July 16, 2018, which is outside the fiscal year. Per our inspection of the four meeting minutes, we observed that for each of the meetings, a portion of the meeting was closed to the public for one of the reasons stated above. This information was disclosed under the "Executive Session" of the minutes. Management informed us that its 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 press releases are issued to the press and posted on the JobsOhio website. We obtained evidence for three of the meetings that there was to be an immediate Media Advisory release to the public discussing the who, what, when and where of the board meetings. One public meeting did not have evidence of an immediate Media Advisory to the public.

### **Procedure 11**

Inspect the report submitted by the President and CIO of JobsOhio to the Governor detailing the Corporation's activities for the year ended December 31, 2017. Ascertain whether or not it was

submitted by March 1, 2018, 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, ascertain whether or not 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 the JobsOhio during the preceding year.

### *Results*

We obtained and inspected the report entitled "JobsOhio 2017 Annual Report/2018 Strategic Plan," which details JobsOhio's activities for the year ended December 31, 2017. We obtained and inspected the email correspondence, which transmitted this report to the Governor's office and confirmed that the date of submittal was March 1, 2018, which meets the required submittal of March 1, 2018. As per email correspondence, the following documents were submitted to the Governor: a) the JobsOhio 2017 Annual Report/2018 Strategic Plan and b) Top Issues to Improve Ohio's Competitiveness (2017).

We obtained written representation from management identifying the pages from the report entitled "JobsOhio 2017 Annual Report/2018 Strategic Plan," which correspond to the five elements indicated in the Procedure 11 above. We compared and agreed the page numbers and respective sections from the written representation to the report confirming all elements to be present. For the element specified in (5) above, management provided a one-page document entitled "Top Issues to Improve Ohio's Overall Competitiveness" and this document was submitted with the report as evidenced by the email correspondence. No exceptions were found as a result of applying the procedure.

### **Procedure 12**

Obtain from management documentation of the filing with the DSA the following designated records described in the contract entered into between JobsOhio and the DSA to assist the DSA in its functions and duties:

- (1) The corporation's federal income tax returns;
- (2) The report of expenditures described in Division (B)(3) of Section 187.03 of the ORC. 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;
- (3) The annual total compensation paid to each officer and employee of the corporation;<sup>1</sup>
- (4) 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 ORC;
- (5) Records of any fully executed incentive proposals, to be filed annually;

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<sup>1</sup> "Total compensation paid" for this DSA reporting is defined as the 2017 Form W-2, Box 18.



- (6) Records pertaining to the monitoring of commitments made by incentive recipients, to be filed annually; and
- (7) A copy of the minutes of all public meetings described in Division (C) of Section 187.03 of the ORC not otherwise closed to the public.

*Results*

We obtained an email dated March 1, 2018 from JobsOhio to the DSA, which indicated submission of the records and/or responses required per Procedure 12 as derived from the Agreement for Services, related to the points above, dated July 1, 2017, between JobsOhio and the DSA. We observed that the filing included each of the designated records described in this procedure, except for item 3. For item 3, we obtained an email dated November 6, 2018 from JobsOhio to the DSA with the updated annual total compensation as defined in the procedure. No exceptions were found as a result of applying the procedure.

**Procedure 13**

Randomly select a sample of 20 employees from those officers and employees reported on the ORC 187.04(B)(2) report filed with the DSA for Procedure 12 (3) above, and compare the amount reported as annual total compensation paid to the employee's 2017 Form W-2, Box 18. Report any instances where the amount reported to the DSA does not match.

*Results*

We obtained the list of officers and employees reported on the ORC 187.04(B)(2) report filed with the DSA and made a sample of twenty. We compared the amount reported as annual total compensation paid to the employee or officer to their respective 2017 Form W-2, Box 18. No exceptions were found as a result of applying the procedure.

**Procedure 14**

Ascertain through inquiry of management and inspection of minutes of the Board whether or not there were any changes to the conflicts of interest policy of JobsOhio during the fiscal year ended June 30, 2018. 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.

*Results*

We inquired with management and inspected minutes of the Board of Directors and did not identify any changes made to the JobsOhio conflicts of interest policy for the fiscal year ended June 30, 2018. No exceptions were found as a result of applying the procedure.

**Procedure 15**

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

## *Results*

We obtained all minutes of the Board of Directors meetings held during fiscal year 2018 and identified instances where financial interests were disclosed. Inspection of the minutes indicate that conflicts of interest policy was followed. No exceptions were found as a result of applying the procedure.

### **Procedure 16**

Randomly select a sample of 10 companies from the OEC compilation lists (of each Board member's employer or ownership interests) that the Board member reported per ORC 187.06 (the "OEC Compilation List") dated June 25, 2018, for calendar year 2017 and compare it to the JobsOhio economic development incentive projects ("Projects") or arrangements made by JobsOhio taken from the DSA End-of-Year Report for calendar year 2017. 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 2018. 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 July 24, 2018.

## *Results*

We randomly selected a sample of ten companies from the OEC Compilation Lists dated June 25, 2018 and compared the company names to the DSA End-of-Year Report. We did not identify any companies which had active Projects or arrangements, defined as having received an offer from JobsOhio during the first six months of fiscal year 2018. Therefore, no selected companies were identified on the letter back to the OEC dated July 24, 2018. No exceptions were found as a result of applying the procedure.

### **Procedure 17**

For fiscal year 2018, 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 List"). From the JO Disclosures List, randomly select a sample of 10 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 the final six months of calendar year 2017. 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 2018, inspect the JobsOhio customer relationship management (CRM) system 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 member's or employee's name and report if the person is listed as having participated in the Project.

## *Results*

We obtained the confidential list of financial and fiduciary interests for each Board member and employee from the JobsOhio Senior Director of Compliance and randomly selected a sample of 10 Board members or employees. For each of the selections, we compared their financial and fiduciary interests with the Projects or arrangements listed on the DSA End-of-Year Reports covering the final six months of calendar year 2017. We identified one Board member or employee who was said to have a de minimis financial or fiduciary interest in an entity that JobsOhio had a Project or arrangement with during fiscal year 2018. De minimis is defined by the Conflicts of Interest Policy established by JobsOhio. For this interest, we inspected the JobsOhio CRM system Project file for the Project or arrangement and observed therein that the Board Member or employee did not participate in the project. No exceptions were found as a result of applying the procedure.

### **Procedure 18**

From the list of Projects or arrangements on the DSA End-of-Year Report covering the last six months of calendar year 2017, randomly 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 Disclosures List and ascertain whether or not any individuals on the Participants List is listed as having a financial or fiduciary interest in the Project. If so, report whether JobsOhio documented 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.

### *Results*

We randomly selected twenty projects from the DSA End of Year Report which covered calendar year 2017. For each of the twenty projects selected, the JobsOhio Senior Director of Compliance provided a list of any Board member or employee names which were identified in the CRM system as participating in the project. We compared the Participant List to the JO Disclosure list. We did not identify any individuals which had a financial or fiduciary interest in the Project. No exceptions were found as a result of applying the procedure.

### **Procedure 19**

ORC 187.06(H) – Inquire of management whether a periodic review that determined all of the following items was conducted during the fiscal year 2018:

- (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, obtain from management the results of the review, and ascertain that the three elements listed above were included in the results.

### *Results*

We inquired of management whether a periodic review that determined all of the following items was conducted during fiscal year 2018. Such periodic review was completed and we obtained from management the results of the review. We ascertained that the three elements listed above were included in the results. No exceptions were found as a result of applying the procedure.

### **Procedure 20**

ORC 187.06(G)—Obtain a listing of each officer and director and ascertain whether or not each individual listed has signed a statement affirming that the individual:

- (1) has received the conflicts of interest policy,
- (2) has read and understands the policy,
- (3) has agreed to comply with the policy, and
- (4) understands JobsOhio's statutory purpose and that it is a nonprofit corporation.

## *Results*

We obtained from management the listing of officers and directors in fiscal year 2018, which totaled nine individuals. We also obtained the annual conflicts of interest statement for each of the individuals, observing that all statements were signed by the officer or director between September 2017 and October 2017. The statement affirmed that the individual has received the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands JobsOhio's statutory purpose and that it is a non-profit corporation. No exceptions were found as a result of applying the procedure.

### **Procedure 21**

Randomly select a sample of 10 expenditures from a detailed listing of expenditures for fiscal year 2018 that consists of all expenditures excluding salaries and benefits. For each selected expenditure, obtain the related documentation, which may include an invoice from the vendor or a contract/agreement. Report any selected expenditures 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.

## *Results*

We randomly selected 10 expenditures from the detailed listing of expenditures for fiscal year 2018 provided by management. For each of the expenditure, we obtained the related documentation, including the vendor invoice if applicable. The amount of expenditures selected totaled \$56,728.11. No selected expenditures contained evidence of expenditures not related to JobsOhio's nonprofit purpose. No exceptions were found as a result of applying the procedure.

### **Procedure 22**

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 the last payroll paid in June 2018.

## *Results*

We obtained the ethical conduct statement and gift policy acknowledgement for all officers and employees of JobsOhio as of the end of fiscal year 2018, which consisted of eighty-five employees and three officers. We compared and agreed each of the employees' names (excluding officers that are not also employees) from the last payroll in June 2018. All employees were listed on the payroll register. Additionally, there were no employees listed on the payroll register which were not included on management's listing. We obtained all employee and officer's respective ethical conduct statement and gift policy acknowledgement. No exceptions were found as a result of applying the procedure.

### **Procedure 23**

ORC 187.061(A)—Obtain completion certificates or an attendance register for the 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 payroll register for the last payroll paid in June 2018.

## *Results*

The courses held were: "JobsOhio Annual Ethics Training," which was held on September 26, 2017 for employees; "JobsOhio Annual Ethics Training," for officers held on September 21, 2017; and Annual Ethics Training acknowledgement for employees or officers who did not attend the applicable courses. We obtained the attendance registers or the acknowledgment for the annual courses on ethics (collectively "training records") for all officers and employees of JobsOhio that completed the training in

the fiscal year. We also obtained the payroll register for the last payroll paid in June 2018. We compared the names of the training records to the payroll register for the last payroll paid in June 2018. No exceptions were found as a result of applying the procedure.

#### **Procedure 24**

Obtain a written representation from JobsOhio management that JobsOhio 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.

#### **Results**

We obtained a management's representation indicating that at no time did JobsOhio or any of its employees or agents, on its behalf, make a 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 exceptions were found as a result of applying the procedure.

#### **Procedure 25**

From the JobsOhio Monthly Executed Agreement Reports located on the JobsOhio website covering the period July 1, 2017, through June 30, 2018, randomly select a sample of five JobsOhio Economic Development Grants, five JobsOhio Workforce Grants, five JobsOhio Research and Development Grants, five JobsOhio Revitalization Grants, five JobsOhio Phase II Grants, five JobsOhio Site Redevelopment Grants, five JobsOhio Growth Fund Loans, five JobsOhio Revitalization Loans, and five JobsOhio Site Redevelopment Loans. If the number of grants and loans executed in fiscal year 2018 within any of these program categories is less than five, select each grant and loan in that category.

- (1) Through inspection of the notes of the twice weekly JO/DSA Project Review meetings in the CRM ("JO/DSA Project Review meeting"), ascertain whether or not the grant/loan was discussed during at least one of those meetings and before the agreement was executed as reflected in the CRM.
- (2) By inspection of the JO/DSA Project Review meeting notes, ascertain whether or not the leadership of both JobsOhio (at least three of the following: Executive Director of Operations, Senior and other Managing Directors, Senior Advisor, and/or General Counsel) and DSA (the Director, Assistant Director, and/or Chief of the Business Services Division or designee) was in attendance at the JO/DSA Project Review meeting.
- (3) Obtain from management the original offer letter that was sent to the company. Compare the date of the offer letter to the date of the notes of the twice weekly JO/DSA Project Review meeting. Report the number of grants/loans selected where
  - (a) an offer letter was issued before the review at a JO/DSA Project Review meeting or
  - (b) the offer letter was never issued.
- (4) Compare the application submission date of the company indicated in the Project record in the CRM to the offer letter date. Report the number of grants/loans where an application submission date was prior to the original offer letter.
- (5) For each of the loans selected, inspect the Project record and ascertain whether or not the JobsOhio loan review committee reviewed each loan by reference to the loan review meeting notes ("Loan Review Meeting Notes") in the CRM.
- (6) Through inspection of the agenda and other records of the Independent Review Panel meeting notes ("Independent Review Panel Notes") in the CRM, ascertain whether or not the panel reviewed each grant/loan.
- (7) JobsOhio requires the creation of jobs within a specified time period, known as the Metric

Evaluation Date (MEvD). Inspect the grant/loan agreement and ascertain whether or not a MEvD was included. Compare the MEvD in the agreement to the MEvD approved during the JO/DSA Project Review meeting and reflected in the most recent offer letter (either an offer letter or a superseded offer letter) for the Project. If there are any differences, inspect the Project records for and identify documentation confirming the change in MEvD from the offer letter to the final approved agreement.

- (8) In the record for the Project, inspect the Project description and identified industry cluster and ascertain whether or not it was for retail and "other population driven businesses," (defined as hospitals, schools, entertainment uses, residential, or multifamily developments) other than for headquarters, back office, or logistics Projects for a retail entity. Report the number of Projects selected that were for retail and/or other population-driven businesses.
- (9) Inspect the Project record to ascertain the average hourly rate of the jobs committed to be created and ascertain whether or not it is at or above the wage floor defined by JobsOhio as 150% of federal minimum wage applicable on the execution date of the grant/loan agreement. (This wage floor is not a requirement of the Board approved guidelines for the Research and Development Grant, and so this procedure is not required for such Grants). This section is not applicable to Phase II Grants, Site Redevelopment Grants and Site Redevelopment Loans.

### *Results*

We selected a sample of five JobsOhio Economic Development Grants, five JobsOhio Workforce Grants, five JobsOhio Research and Development Grants, five JobsOhio Revitalization Grants, five JobsOhio Phase II Grants, five JobsOhio Site Redevelopment Grants, five JobsOhio Growth Fund Loans, five JobsOhio Revitalization Loans, and five JobsOhio Site Redevelopment Loans. We performed each of the aforementioned procedures for each of the grants and loans selected. Per inspection of the JO/DSA Project Review meeting notes, only two members of leadership of JobsOhio were in attendance at the original JO/DSA Project Review meeting for one Workforce Grant, one Site Redevelopment Grant and one Site Redevelopment Loan. However, each of these loans and grants had a superseded JO/DSA Project Review meeting at which three members of leadership of JobsOhio were in attendance. Additionally, per inspection of the JO/DSA Project Review meeting notes, only two members of leadership of JobsOhio were in attendance at the original JO/DSA Project Review meeting for one Site Redevelopment Grant. However, per inspection of the email meeting invite three members of leadership of JobsOhio were invited to attend. For one Revitalization Loan, per inspection of the Project records there were no Loan Review Meeting Notes in the CRM. Per inquiry with management the Loan Review Meeting occurred but was not recorded in the CRM. None of the selected loans or grants were retail or population-driven business. No other exceptions were found as a result of applying this procedure.

### **Procedure 26**

Obtain the program guidelines ("Board Guidelines") for the JobsOhio Economic Development Grant approved by the Board and in effect on the date the agreement was executed. For the five JobsOhio Economic Development Grants selected in Procedure 25, obtain the executed grant agreement and ascertain whether or not it includes any ineligible costs as outlined in the applicable program guidelines. If an ineligible cost is included in the executed grant agreement, inspect the Project records for and identify documentation confirming that inclusion of the ineligible cost was approved by the Board or its designee as identified by management.

### *Results*

For each of the JobsOhio Economic Development Grants selected in Procedure 25, we obtained the executed grant agreement and observed that it did not include any ineligible costs as eligible for

reimbursements, as described in this procedure. No exceptions were found as a result of applying the procedure.

### **Procedure 27**

For the five JobsOhio Workforce Grants selected in Procedure 25, obtain the executed grant agreement and ascertain whether or not it includes any ineligible costs (as outlined in the Board Guidelines for the program) as eligible for reimbursement under the grant. If an ineligible cost is included in the executed grant agreement, inspect the Project records for and identify documentation confirming that inclusion of the ineligible cost was approved by the Board or its designee as identified by management.

#### *Results*

For each of the JobsOhio Workforce Grants selected in Procedure 25, we obtained the executed grant agreement and observed that it did not include any ineligible costs as eligible for reimbursement, as described in this procedure. No exceptions were found as a result of applying the procedure.

### **Procedure 28**

For the five JobsOhio Research and Development Grants selected in Procedure 25, obtain the executed grant agreement and:

- (a) compare the eligible costs listed in the executed grant agreement to the ones outlined in the Board Guidelines for the program. If a cost is included in the executed grant agreement that is not noted as eligible in the Board Guidelines, inspect the Project records for and identify documentation confirming that inclusion of the cost was approved by the Board or its designee as identified by management, and
- (b) ascertain whether or not the grant was awarded to an eligible applicant or Research and Development Center (as outlined in the Board Guidelines for the program)

#### *Results*

For each of the JobsOhio Research and Development Grants selected in Procedure 25, we obtained the executed grant agreement and observed that it did not include any ineligible costs as eligible for reimbursement, as described in this procedure. The grantee was eligible as outlined in the Board Guidelines for the program. No exceptions were found as a result of applying the procedure.

### **Procedure 29**

For the five JobsOhio Revitalization Grants selected in Procedure 25:

- (1) Obtain the executed grant agreement and:
  - (a) compare the eligible costs listed in the executed grant agreement to the ones outlined in the Board Guidelines for the program. If a cost is included in the executed grant agreement that is not noted as eligible in the Board Guidelines, inspect the Project records for and identify documentation confirming that inclusion of the cost was approved by the Board or its designee as identified by management, and;
  - (b) ascertain whether or not the grant was awarded to an eligible applicant or site (as outlined in the Board Guidelines for the program); and
  - (c) ascertain whether or not the grant funds were available only to projects where job creation will begin within a negotiated period not to exceed 5 years.
  - (d) if a grant fund has a negotiated period exceeding 5 years, inspect the Project records for evidence of job creation prior to 5 years.

- (2) For remediation projects, ascertain whether or not the grant agreement required a No Further Action letter issued by an Ohio Certified Professional and / or a Covenant Not to Sue from the Ohio Environmental Protection Agency. If required, inspect the project records for inclusion of No Further Action letter or Covenant Not to Sue.

### *Results*

For each of the JobsOhio Revitalization Grants selected in Procedure 25 we obtained the executed grant agreement and observed that it did not include any ineligible costs as eligible for reimbursement, all participants were eligible, and grant funds were available only to projects where job creation will begin within a negotiated period not to exceed 5 years or the project record contained evidence of job creation prior to 5 years. One selection was classified as a Remediation Project and the grant agreement did not require a No Further Action letter issued by an Ohio Certified Professional and / or a Covenant Not to Sue from the Ohio Environmental Protection Agency. No exceptions were found as a result of applying the procedure.

### **Procedure 30**

For the five JobsOhio Phase II Grants selected in Procedure 25, obtain the executed grant agreement and:

- (a) compare the eligible costs listed in the executed grant agreement to the ones outlined in the Board Guidelines for the program. If a cost is included in the executed grant agreement that is not noted as eligible in the Board Guidelines, inspect the Project records for and identify documentation confirming that inclusion of the cost was approved by the Board or its designee as identified by management, and;
- (b) ascertain whether or not the grant was awarded to an eligible applicant or site (as outlined in the Board Guidelines for the program); and
- (c) ascertain whether or not the grant funding exceeded \$200,000

### *Results*

For each of the JobsOhio Phase II Grants selected in Procedure 25, we obtained the executed grant agreement and observed that it did not include any ineligible costs as eligible for reimbursement, was an eligible applicant or site (as outlined in the Board Guidelines for the program), and did not exceed \$200,000 dollars. No exceptions were found as a result of applying the procedure.

### **Procedure 31**

For the five JobsOhio Site Redevelopment Grants selected in Procedure 25:

- (1) Obtain the executed grant agreement and:
  - (a) compare the eligible costs listed in the executed grant agreement to the ones outlined in the Board Guidelines for the program. If a cost is included in the executed grant agreement that is not noted as eligible in the Board Guidelines, inspect the Project records for and identify documentation confirming that inclusion of the cost was approved by the Board or its designee as identified by management, and;
  - (b) ascertain whether or not the grant was awarded to an eligible site, applicant or end use (as outlined in the Board Guidelines for the program)
- (2) Ascertain whether or not, by inspection of the executed grant agreement, if the grant exceeded \$5 million and exceeded 50% of the total project costs unless authorized by JobsOhio President/CIO.
- (3) Ascertain whether or not JobsOhio and JobsOhio Regional Network Partners (APEG, Columbus



2020, DDC, REDI Cincinnati, RGP, and Team NEO) prioritized sites based on program guidelines.

### *Results*

For each of the JobsOhio Site Redevelopment Grants selected in Procedure 25, we obtained the executed grant agreement and performed each of the aforementioned procedures. We compared the eligible costs listed in the executed grant agreement to the ones outlined in the Board Guidelines for the program. There were two costs included in one executed grant agreement that are not noted as eligible in the Board Guidelines. We inspected the Project records for and identified documentation confirming that inclusion of the costs was approved by the Board or its designee. We observed that the grant was awarded to an eligible site, applicant or end use. We inspected the executed grant agreement and confirmed the grant did not exceed \$5 million or exceed 50% of the total project costs unless this was authorized by JobsOhio President/CIO. We observed that JobsOhio and JobsOhio Regional Network Partners (APEG, Columbus 2020, DDC, REDI Cincinnati, RGP, and Team NEO) prioritized sites based on program guidelines. No exceptions were found as a result of applying the procedure.

### **Procedure 32**

For the five JobsOhio Growth Fund Loans selected in Procedure 25, obtain the executed loan agreement and perform the following:

- (1) Ascertain whether or not, by inspection of the executed loan agreements, that the Growth Fund loans were within the typical range of \$500,000 to \$5,000,000 as outlined in the Board Guidelines of the program. If the loans were not within that range, agree the amount of the loan in the executed loan agreement to the amount of the loan approved in the most recent term sheet reviewed and approved by the JobsOhio loan review committee for the loan.
- (2) Eligible costs include the following as described by the Board Guidelines: Land; building (purchase, construction, or renovation); machinery and equipment; capitalized costs directly related to a fixed asset purchase; and software development. Inspect the loan agreement and ascertain whether or not it includes one or more of the foregoing eligible costs (as outlined in the Board Guidelines for the program).
- (3) Compare the term of the loan in the executed loan agreement to the term of the loan approved by the JobsOhio loan review committee and reflected in the most recent term sheet for the loan.
- (4) By inspecting the most recent term sheet reviewed by the JobsOhio loan review committee for the Project, calculate that the applicant committed to make at least a 10% contribution/equity in the allowable Project costs and uses.
- (5) Inquire of management what security documents were used to secure the loan and inspect the Closing Binder in the Project record to ascertain whether or not those documents were included.

### *Results*

For each of the JobsOhio Growth Fund Loans selected in Procedure 25, we obtained the executed loan agreement and performed each of the aforementioned procedures. We observed the executed loan agreements that the Growth Fund loans were within the typical range of \$500,000 to \$5,000,000 as outlined in the Board Guidelines. We inspected the loan agreement and observed that it includes one or more of the Eligible Costs per this procedure. We compared the term of the loan in the executed loan agreement to the term of the loan approved by the JobsOhio loan review committee and reflected in the most recent term sheet for the loan. We inspected the most recent term sheet reviewed by the JobsOhio loan review committee for the Project and calculated that the applicants committed at least a 10% contribution/equity in the allowable Project costs. We inquired of management as to what security

documents were used to secure the loan and obtained the Closing Binder to ascertain that the documents were included. No exceptions were found as a result of applying the procedure.

### **Procedure 33**

For the five JobsOhio Revitalization Loans selected in Procedure 25, obtain the executed loan agreement and perform the following:

- (1) Inspect the loan agreement metric commitments to ascertain whether or not the executed loan agreement requires at least 20 jobs will be created and/or retained. Inspect the Project records for a signed agreement from the borrower, such as a letter of intent, option, lease, or documentation that the Borrower holds title for the Project site.
- (2) Inspect the loan agreement and ascertain whether or not it includes one or more of the eligible costs (as outlined in the Board Guidelines for the program). If it does not, inspect the Project records for and ascertain whether or not the cost was approved in the most recent term sheet reviewed and approved by the JobsOhio loan review committee for the loan.
- (3) Ascertain whether or not the loan was within the typical range of \$500,000 to \$5,000,000 and between 20% and 75% of eligible costs. If the Project loan was not within that range, agree the amount of the loan in the executed loan agreement to the amount of the loan approved in the most recent term sheet reviewed by the JobsOhio loan review committee for the Project.
- (4) Inspect the term of the note and ascertain whether or not it is within the typical range of between 10 and 15 years. If the term was not within that range, agree the term in the executed loan agreement to the term approved in the most recent term sheet reviewed by the JobsOhio loan review committee for the Project.

### **Results**

For the JobsOhio Revitalization Loans chosen in Procedure 25, we obtained the executed loan agreement and performed each of the aforementioned procedures. We inspected the loan agreement metric commitments and observed that the executed loan agreement requires at least 20 jobs will be created and/or retained. We inspected the Project records for a signed agreement from the borrower, such as a letter of intent, option, lease, or documentation that the Borrower holds title for the Project site. We inspected the loan agreement and observed that it includes one or more of the eligible costs per this procedure. We confirmed that the loan was within the typical range of \$500,000 to \$5,000,000 and between 20% and 75% of the eligible costs. For four of the loans selected, we calculated that the loan was not between 20% and 75% of the eligible costs; however, the amount of the loan was agreed to the most recent and approved term sheet. We inspected the term of the note and agreed that it is within the typical range of between 10 and 15 years. No exceptions were found as a result of applying the procedure.

### **Procedure 34**

For the five JobsOhio Redevelopment Site Loans selected in Procedure 25:

- (1) Obtain the executed loan agreement and ascertain whether or not:
  - (a) the loan was awarded to an eligible site, applicant, or end use (as outlined in the Board Guidelines for the program)
  - (b) the loan exceeded \$5 million and exceeded 50% of the total project costs unless authorized by JobsOhio President/CIO.
- (2) Ascertain whether or not JobsOhio and JobsOhio Regional Network Partners prioritized sites based on program guidelines.
- (3) Inspect the loan agreement for the disbursement requirements specific to that loan (typically

located in Section 2.5) and ascertain whether or not by inspection of the Closing Binder, disbursement, and other program records for the Project that JobsOhio received support that the conditions were met prior to JobsOhio disbursing any loan proceeds.

### *Results*

For the JobsOhio Redevelopment Site Loans chosen in Procedure 25, we obtained the executed loan agreement and performed each of the aforementioned procedures. We inspected the loan agreement and confirmed the loan was awarded to an eligible site, applicant, or end use (as outlined in the Board Guidelines for the program). We observed the loan did not exceed \$5 million nor exceed 50% of the total project costs unless authorized by JobsOhio President/CIO.

We observed JobsOhio and JobsOhio Regional Network Partners prioritized sites based on program guidelines. We inspected the loan agreement for the disbursement requirements specific to that loan (typically located in Section 2.5) and confirmed by inspection of the Closing Binder, disbursement, and other program records for the Project that JobsOhio received support that the conditions were met prior to JobsOhio disbursing any loan proceeds. No exceptions were found as a result of applying the procedure.

### **Procedure 35**

Randomly select 10 of the 15 loans selected in Procedure 25, perform the following:

- (1) Inspect the loan agreement for the disbursement requirements specific to that loan (typically located in Section 2.5) and ascertain whether or not by inspection of the Closing Binder, disbursement, and other program records for the Project that JobsOhio received proof that the conditions were met prior to JobsOhio disbursing any loan proceeds.
- (2) If the Loan Agreement requires that disbursements are limited to a certain percentage of eligible costs, inspect the approved disbursement records to ascertain whether or not they were within the required percentage.
- (3) For each loan, randomly select one reimbursement request paid during fiscal year 2018, if any, and ascertain whether or not by inspection of the disbursement records, that source documentation, when aggregated, is greater than or equal to the amount of the disbursement and were for eligible costs in accordance with the terms of the agreement.
- (4) Ascertain whether or not the Metric updates were included with the reimbursement request prior to approval of the reimbursement request.
- (5) Ascertain whether or not that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Leadership team in the absence of the Executive Director of Operations, approved each reimbursement request prior to disbursement of funds as evidenced by the date on the reimbursement request approval and the date the payment was disbursed.

### *Results*

For 10 of the 15 of the loans selected in Procedure 25, we inspected the loan agreement for the disbursement requirements specific to that loan. Seven of those loans had disbursements in fiscal year 2018. For those seven loans, we ascertained through observation of the Closing Binder, disbursement, and other program records for the Project, that JobsOhio received proof that the conditions were met prior to JobsOhio disbursing any loan proceeds. If the Loan Agreement required that disbursements are limited to a certain percentage of eligible costs, we observed the approved disbursement records and confirmed that they were within the required percentage. For each loan (except three which had no disbursements during fiscal year 2018), we randomly selected one reimbursement request paid during fiscal year 2018 and observed through the disbursement records that source documentation, when aggregated, was greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of the agreement. We observed that metric updates were included with the reimbursement request. We observed that both a staff member and the Executive Director of

Operations, or another member of the JobsOhio Leadership team in the absence of the Executive Director of Operations, approved the reimbursement request prior to disbursement of funds. No exceptions were found as a result of applying the procedure.

### **Procedure 36**

Randomly select 15 of the 30 grant funds selected in Procedure 25, randomly select one reimbursement request paid during fiscal year 2018, if any, and perform the following:

- (1) Ascertain whether or not, by inspection of the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement and were for eligible costs in accordance with the terms of the agreement.
- (2) Ascertain whether or not the Metric updates were included with the reimbursement request prior to approval of the reimbursement request.
- (3) Ascertain whether or not both a staff member and the Executive Director of Operations, or another member of the JobsOhio Leadership team in the absence of the Executive Director of Operations, approved each reimbursement request prior to disbursement of funds as evidenced by the date on the reimbursement request approval and the date the payment was disbursed.
- (4) If a deficiency in the reimbursement request was noted by JobsOhio, ascertain whether or not JobsOhio notified the grantee of the deficiencies by inspecting the documentation of the notification. Ascertain through an inspection of the approved disbursement request that the deficiency amount was not included in the funds disbursed.

### **Results**

For the 15 grants selected from the 30 grants in Procedure 25, we observed that 4 out of the 15 had reimbursement requests paid in fiscal year 2018. For the 4 grants, one fiscal year 2018 reimbursement was selected and each of the aforementioned procedures were performed. We observed through the disbursement records that source documentation, when aggregated, is greater than or equal to the amount of the disbursement, and were for eligible costs in accordance with the terms of their agreement. We observed that the metric updates were included with the reimbursement request. We observed that both a staff member and the Executive Director of Operations, or another member of the JobsOhio Leadership team in the absence of the Executive Director of Operations, approved the reimbursement request prior to the disbursement of funds as evidenced by the date on the reimbursement request approval and the date the payment was disbursed. No deficiencies were noted by JobsOhio. No exceptions were found as a result of applying the procedure.

### **Procedure 37**

From the JobsOhio Monthly Executed Agreement Reports covering the period January 1, 2017 through December 31, 2017, randomly select five loans and five grants (excluding Phase II Grants) and perform the following:

- (1) For the 10 grants/loans selected, ascertain whether or not by inspection of the Project records in the CRM that an annual report was submitted to JobsOhio no later than March 1, 2018.
- (2) If an annual report was received later than March 1, 2018, by inspection of the Project records, note the date the report was received and if an extension had been approved by the Director of Compliance or the Senior Project Performance Manager.
- (3) Inspect Project Performance Review Team (PPRT) meeting notes in the Project record to ascertain whether or not the Project was selected to go before the PPRT. If it was, confirm it was on the PPRT meeting agenda for discussion.

## *Results*

We obtained the JobsOhio Monthly Executed Agreement Reports covering the period January 1, 2017, through December 31, 2017, and selected a sample of five loans and five grants. We performed each of the aforementioned procedures for each of the grants and loans selected. For the ten grants/loans selected, we observed through the Project records in the CRM that an annual report was submitted to JobsOhio no later than March 1, 2018. No exceptions were found as a result of applying the procedure.

### **Procedure 38**

Obtain the contract entered into between JobsOhio and the DSA to assist the DSA in its functions and duties. Inquire of management whether there was a new contract or any modifications to the existing contract entered into during the fiscal year ended June 30, 2017. If there was a new contract or any modifications to the existing contract, 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 (DSA) and the formulation of recommendations under Section 187.05 of the ORC.
- (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 ORC. 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 ORC. 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 ORC.
  - (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 ORC not otherwise closed to the public.

## *Results*

We obtained the contract entered into between JobsOhio and the DSA during fiscal year ended June 30, 2017. Through inquiry with management, it was noted that there was not a new contract or any modifications to the existing contract that was entered into during the fiscal year ended June 30, 2018. No additional procedures were performed. No exceptions were found as a result of applying the procedure.

### **Procedure 39**

Obtain from management a listing of active loans that have payments greater than 10 days past due as of June 30, 2018. For any loan listed, perform the following:

- (1) Inspect the Project record to ascertain whether or not the company requested or provided Market Conditions and Other Factors (as provided in their Loan Agreement) to explain the late

payment.

- (2) Inspect the Project record to ascertain whether or not JobsOhio documented its follow up with the company.
- (3) Inspect the PPRT meeting notes in the Project record to ascertain whether or not the Project was selected to go before the PPRT. If it was selected to go before PPRT, ascertain whether or not it was on the PPRT meeting agenda for discussion.
- (4) Inspect the PPRT meeting notes in the Project record to ascertain what PPRT decided, and whether the decision was acted on through the date of the Agreed-Upon Procedures report.

#### *Results*

No active loans had a payment greater than 10 days past due as of June 30, 2018. No exceptions were found as a result of applying the procedure.

#### **Procedure 40**

Obtain from management a list of all Projects that reached their MEvD on December 31, 2017 ("2017 MEvD List"). The list shall include Project name, company name, and program type. From that list, select a random sample of five Revitalization Phase II Grants and inspect the Project record for each selected Phase II Grant and ascertain whether or not JobsOhio disbursed funds to the Grantee. Where funds were disbursed, inspect the Project record and ascertain whether or not a copy of the Phase II environmental report was obtained by JobsOhio prior to disbursing funds.

#### *Results*

We obtained a listing of projects that reached their MEvD on December 31, 2017, and made a random selection of five Revitalization Phase II grants and inspected the project records to ascertain if any disbursements were made to the Grantee. If any disbursements had been made, we inspected the project records to ascertain if the Phase II environmental report was obtained prior to disbursement. No exceptions were found as a result of applying the procedure.

#### **Procedure 41**

Of the non-Phase II JobsOhio Projects with a MEvD of December 31, 2017, randomly select a sample of five Projects.

- (1) For the five Projects selected, ascertain whether or not, through inspection of the Project record, the company submitted an Annual Report for calendar year 2017.
- (2) If the company did not submit an Annual Report for calendar year 2017, inspect the PPRT meeting notes in the Project record to ascertain whether or not the Project was selected to go before the PPRT. If it was selected to go before the PPRT, ascertain whether or not it was on the PPRT meeting agenda for discussion.
- (3) Inspect the PPRT meeting notes in the Project record to ascertain what the PPRT decided, and whether the decision was acted on through the date of the Agreed-Upon Procedures.

#### *Results*

We obtained a listing of projects that reached their MEvD on December 31, 2017, and made a random selection of five non-Phase II Projects. Four of the five Projects submitted an Annual Report for calendar year 2017. In accordance with the Project agreement for one Project, an Annual Report was not required. No exceptions were found as a result of applying the procedure.

### **Procedure 42**

For the five Projects selected in Procedure 41, ascertain whether or not the company in each Project requested and received any of the grant and/or loan funds. For those Projects that received funds, ascertain whether or not the company requested a disbursement of funds after the MEvD.

#### *Results*

For the five grants selected in Procedure 41, we inspected the project records to ascertain if the company received any funds. Through inspection of the project records it was observed if the company requested the disbursement after the MEvD. All disbursement requests were requested prior to the MEvD. No exceptions were found as a result of applying the procedure.

### **Procedure 43**

Of the Projects listed on the 2017 MEvD List, select a random sampling of the greater of 20% or 20 of the Projects listed, and inspect the Annual Report submitted for calendar year 2017 for those Projects. For each Project selected, JobsOhio will complete the first five columns of the chart attached as Exhibit A to these procedures to reflect whether or not the company met its job number, payroll, and fixed asset metric commitments. Ascertain whether or not the information in the first five columns agrees to supporting documentation obtained from JobsOhio.

If the company did not meet its job number, payroll, or fixed asset metric commitments, JobsOhio will complete the last five columns of the chart attached as Exhibit A for such Project. Then perform the following:

- (1) Inspect the Project record to ascertain whether or not the company requested or provided Market Conditions and Other Factors (as provided in their Grant or Loan Agreement) to explain the shortfall.
- (2) Inspect the Project record to ascertain whether or not JobsOhio documented its follow up with the company.
- (3) Inspect the PPRT meeting notes in the Project record to ascertain whether or not the Project was selected to go before the PPRT. If it was selected to go before PPRT, ascertain whether or not it was on the PPRT meeting agenda for discussion.
- (4) Inspect the PPRT meeting notes in the Project record to ascertain what PPRT decided, and whether the decision was acted on through the date of the Agreed-Upon Procedures report.

**Exhibit A for JobsOhio Procedure 43**

	Commitments	JC	JCP	JR	JRP	TFAI	Company Explained Variance (1)	JO Follow Up (2)	Went to PPRT (3)	Decision (4)	Decision Acted On (4)
<b>Company 1</b>	<b>Original</b>										
	<b>Amended</b>										
	<b>Reported</b>										
<b>Company 2</b>	<b>Original</b>										
	<b>Amended</b>										
	<b>Reported</b>										
<b>Company 3</b>	<b>Original</b>										
	<b>Amended</b>										
	<b>Reported</b>										
<b>Company 4</b>	<b>Original</b>										
	<b>Amended</b>										
	<b>Reported</b>										

JC = Jobs Created  
 JCP = Associated Jobs Created Payroll  
 JR = Jobs Retained  
 JRP = Associated Jobs Retained Payroll  
 TFAI = Total Fixed Asset Investment  
 Y = Yes Project had commitments  
 +/-% = Percent over or under commitments

*Results*

We selected 22 Projects, which was the greater of 20 or 20% of Projects listed, from the 2017 MEVD list and obtained the 2017 Annual Reports for each. Four of the original twenty-two selections were Projects that did not require JC, JCP, JR, JRP, and TFAI. One of the original twenty-two selections expired on the metric evaluation date before any funds were disbursed and was not required to meet any listed metrics. Five replacement selections were made for the aforementioned Projects. Eighteen of the company's Projects met their job number, payroll, and fixed assets metric commitments in agreement with the Exhibit A. As four of the Projects did not meet one of their metrics, we performed each of the aforementioned procedures. For the selected Projects, we inspected the Project records and observed that all four projects had provided an explanation to explain the shortfall. All four Projects contained follow-up from JobsOhio to the company. All four Projects were selected to go before PPRT and were included in the agenda. All four Projects had a PPRT decision that was acted on through the date of the report. No exceptions were found as a result of applying the procedures.



**Exhibit A for JobsOhio Procedure 43**

	<b>Commitments</b>	<b>JC</b>	<b>JCP</b>	<b>JR</b>	<b>JRP</b>	<b>TFAI</b>	<b>Company Explained Variance (1)</b>	<b>JO Follow Up (2)</b>	<b>Went to PPRT (3)</b>	<b>Decision (4)</b>	<b>Decision Acted On (4)</b>
<b>Company 1</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+193.53%	+260.47%	+0%	+0%	+156%					
<b>Company 2</b>	<b>Original</b>	Y	Y			Y					
	<b>Amended</b>										
	<b>Reported</b>	+131.37%	+126.11%			+0%					
<b>Company 3</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>				Y						
	<b>Reported</b>	+338%	+556.74%	+0%	+0%	+129%					
<b>Company 4</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+161.54%	+271.36%	+0%	+0%	+117%					
<b>Company 5</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	-19.05%	-35.53%	+0%	+0%	-5%	Y	Y	Y	Y	Y
<b>Company 6</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+105.71%	+109.56%	+0%	+0%	+341%					
<b>Company 7</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+205.80%	+318.07%	+0%	+0%	+329%					

<b>Company 8</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+116.67%	+229.24%	+0%	+0%	-1%	Y	Y	Y	Y	Y
<b>Company 9</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	-30%	+128.49%	+0%	+0%	+147%	Y	Y	Y	Y	Y
<b>Company 10</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+116.49%	+181.42%	+0%	+0%	+183%					
<b>Company 11</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+413.87%	+516.70%	+0%	+0%	+102%					
<b>Company 12</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+102%	+231.46%	+0%	+0%	+107%					
<b>Company 13</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>					Y					
	<b>Reported</b>	+208%	+414.49%	+0%	+0%	+105%					
<b>Company 14</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>				Y						
	<b>Reported</b>	+445.10%	+457.92%	+0%	+0%	+121%					
<b>Company 15</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+126.33%	+181.80%	+0%	+0%	+118%					

<b>Company 16</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+196.67%	+412.34%	+0%	+0%	+101%					
<b>Company 17</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+452.59%	+477.22%	+0%	+0%	+517%					
<b>Company 18</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	-49.45%	+206.89%	+0%	+0%	-56%	Y	Y	Y	Y	Y
<b>Company 19</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+263.64%	+122.29%	+0%	+0%	+207%					
<b>Company 20</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>										
	<b>Reported</b>	+371.11%	+345.91%	+0%	+0%	+160%					
<b>Company 21</b>	<b>Original</b>	Y	Y			Y					
	<b>Amended</b>										
	<b>Reported</b>	+317.60%	+345.42%			+110%					
<b>Company 22</b>	<b>Original</b>	Y	Y	Y	Y	Y					
	<b>Amended</b>	Y									
	<b>Reported</b>	+115.67%	+174.22%	+0%	+0%	+160%					

JC = Jobs Created  
JCP = Associated Jobs Created Payroll  
JR = Jobs Retained  
JRP = Associated Jobs Retained Payroll  
TFAI = Total Fixed Asset Investment

Y = Yes Project had commitments  
+/-% = Percent over or under commitments

## **JobsOhio Beverage System (JOBS)**

### ***Procedure 1***

Inquire of management if a business plan was implemented in fiscal year 2018 that covered no less than a three-year period and coincides with the Ohio Department of Commerce, Division of Liquor Control's ("DLC's") fiscal years. If management answers the question affirmatively, obtain a copy of the plan.

#### *Results*

We inquired with management and were informed that a business plan covering a three-year period and coinciding with the Ohio Department of Commerce, Division of Liquor Control's ("DLC's") fiscal years was implemented in fiscal year 2017. Thus no plan was implemented in fiscal year 2018. No exceptions were found as a result of applying the procedure.

### ***Procedure 2***

Inquire of management if any changes or amendments were made to the conflicts of interest policy of JOBS during fiscal year 2018. If so, inspect action of the JOBS Board of Directors ("JOBS Board") evidencing formal adoption and approval.

#### *Results*

We inquired with management and were informed that no changes or amendments were made to the conflicts of interest policy of JOBS during fiscal year 2018. No exceptions were found as a result of applying the procedure.

### ***Procedure 3***

Obtain a written representation from 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.

#### *Results*

We obtained a copy of management's representation indicating that at no time did JOBS or any of its employees or agents, on its behalf, make a 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 exceptions were found as a result of applying the procedure.

### ***Procedure 4***

Through inquiry with management, ascertain whether or not 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 Expense Budget Principles changed, obtain documentation that JOBS and DLC mutually agreed to the change(s) as evidenced by written signatures from management of both parties.

#### *Results*

We inquired with management and were informed that no changes were made to the Expense Budget Principles used to prepare the Expense Budget for Ordinary Operating Expenses submitted by DLC to JOBS during the fiscal year. No exceptions were found as a result of applying the procedure.

### **Procedure 5**

Ascertain whether or not JOBS paid DLC the Estimated Expense Payment identified in the Expense Budget document covering fiscal year 2018 no later than the first business day of each quarter as evidenced by the date on the disbursement utilized to pay such amounts.

#### *Results*

We obtained the check copies dated; 6/28/2017, 10/2/2017, 1/2/2018 and 4/2/2018, which paid the Estimated Expense Payment identified in the Expense Budget document. We confirmed that each check was dated for the first business day of each quarter and the amount of each check agreed to the Expense Budget document for the respective quarter. We observed that total amount paid for the quarter beginning October 2, 2017 was net of the fiscal year 2017 overpayment, as determined by DLC, in the amount of \$393,739. It was also noted that the Expense Budget included additional payment amounts due upon invoice and we confirmed payment was made within 10 days business days of the receipt of invoice. No exceptions were found as a result of applying the procedure.

### **Procedure 6**

Following the fiscal year ended June 30, 2018, ascertain whether or not JOBS made an overpayment or underpayment of actual ordinary operating expenses by obtaining the JOBS Annual Reconciliation Report, which is calculated by DLC. If an overpayment has been made, ascertain whether or not the overpayment was credited as an adjustment amount against the Estimated Expense Payment for the second quarter of the following fiscal year. If an underpayment was made, ascertain whether or not JOBS paid such adjustment amount to DLC no later than 31 days after receipt of DLC's written notice and calculation of such underpayment as evidenced by the date on the disbursement utilized to pay such amount.

#### *Results*

We obtained the JOBS Annual Reconciliation Report for the fiscal year ended June 30, 2018 which showed an overpayment of actual ordinary operating expenses of \$105,604. Per inspection of the canceled check copy for the second quarter of the following fiscal year, we confirmed that the overpayment was credited as an adjustment against the Estimated Expense Payment. No exceptions were found as a result of applying the procedure.

### **Procedure 7**

Through an inspection of the JOBS Annual Reconciliation Report for fiscal year 2018, ascertain whether or not 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, ascertain 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.

#### *Results*

We obtained JOBS Annual Reconciliation Report for fiscal year 2018 showing that an Extraordinary Expense totaling \$196,333.50 was incurred during the fiscal year. The total Extraordinary Expenses incurred did not exceed 4% of the total estimated expenses for the fiscal year in the aggregate and did not exceed an amount greater than 2% of the total estimated expenses for the fiscal year individually. We inquired of management and management confirmed that it did not disapprove of the use of the Extraordinary Expense allowance fund for this expense. No exceptions were found as a result of applying the procedure.

### **Procedure 8**

Ascertain whether or not 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 beginning of the fiscal year 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.

#### *Results*

We recalculated the Extraordinary Expense amount to ascertain that it was equal to 4% of the total estimated expenses by multiplying the total operating expenses of \$15,921,055 per the "State Fiscal Year 2018 Fee Budget" by 4%, which amounted to \$636,842. We inquired of management and ascertained that an annual allowance for Extraordinary Expense of \$333,962 was paid to DLC by JOBS since the prepaid balance at the beginning of the fiscal year was \$302,880. Per correspondence provided by management, DLC did not confirm the amount to be paid until November 2, 2017. The payment of the amount was within 15 days of the correspondence from DLC. No exceptions were found as a result of applying the procedure.

### **Procedure 9**

Through inquiry and inspection of service fees, ascertain whether or not 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.

#### *Results*

We inquired of JOBS' management and were informed that no Capital Expenditures (as defined in Section 2.1 of the Operations Service Agreement) occurred. We also inspected the annual service fee summary and observed no capital expenditures were incurred during fiscal year 2018. No exceptions were found as a result of applying the procedure.

### **Procedure 10**

Obtain a listing of liquor tax payments from management and randomly select a sample of 10 liquor tax payments. Ascertain whether or not JOBS (or the master trustee on its behalf) paid applicable liquor taxes on or before the fifth 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. If the fifth or 20th day of the month is not a business day, ascertain whether or not the disbursement date was the next business day of the month.

#### *Results*

We obtained a listing of liquor tax payments from JOBS management and randomly selected 10 liquor tax payments amounting to \$46,754,488. For the 10 selections, the payment was made by the fifth or 20th days of the calendar month or the first business day following the fifth or the 20th, if they did not fall on a business day. No exceptions were found as a result of applying the procedure.

### **Procedure 11**

Through inquiry of management, ascertain whether 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 ascertain whether notification occurred no later than 30 days prior to the effective date of such new vendor contract.

### *Results*

We inquired with management and were informed that there were five new vendor contracts for the operation of the liquor business in fiscal year 2018. Four of the five contracts were not communicated to the DLC 30 days prior to the effective date of the contract.

### **Procedure 12**

Obtain a listing of disbursements for commissions and bailment purchases for fiscal year 2018 from management. From the list provided by JOBS, randomly select a sample of 20 disbursements and inspect electronic records and ascertain whether JOBS provided DLC with an electronic record no later than the same day in which such disbursements were made.

### *Results*

We randomly selected a sample of 20 transactions from the listing of commission and bailment purchases provided by management for the period July 1, 2017 to June 30, 2018. We confirmed that JOBS provided DLC with an electronic record no later than the same day on which such disbursements were made. No exceptions were found as a result of applying the procedure.

### **Procedure 13**

Inquire of management and through inspection of documentation ascertain whether or not JOBS provided to DLC:

- (a) unaudited, interim financial statements no later than 30 days after their preparation, defined as the date of the independent accountants' review report; and
- (b) audited financial statements no later than 90 days after the end of the fiscal year.

### *Results*

We inquired of JOBS' management and obtained the email correspondence that for the quarters ended September 30, 2017, December 31, 2017, and March 31, 2018, the unaudited interim financial statements were submitted to DLC within 30 days of the independent accountants' review report and for the year ended June 30, 2018, the audited financial statements were submitted to the DLC within 90 days of the end of the fiscal year. We also obtained email correspondence from JOBS to DLC, showing the interim financial statements were submitted within 30 days of preparation and the audited financial statements were submitted within 90 days of the end of the fiscal year. No exceptions were found as a result of applying the procedure.

### **Procedure 14**

Obtain from management a listing of all tax payments by JOBS to the Ohio Treasurer of State (OTS). Randomly 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 management using the Web portal provided by Key Bank. Obtain from the DLC copies of the bank transaction receipt for each such payment.

### *Results*

We obtained a listing of all tax payments, which numbered 24 and amounted to \$116,479,283.58. We randomly selected a sample of ten tax payments, which totaled \$48,760,086.13 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 payment for all 10 sample items. We also requested from DLC copies of the bank transaction receipt for each of the 10 selections. No exceptions were found as a result of applying the procedure.

#### **Procedure 15**

Obtain from management the documentation to ascertain whether or not JOBS maintained insurance for the operation of the liquor business and if it included comprehensive general liability insurance with a minimum \$3 million single limit.

#### *Results*

We obtained the insurance policy package documentation from management and noted that JOBS maintained insurance for the operation of the liquor business. In addition, we agreed that the insurance included comprehensive general liability insurance and the limit was in excess of the \$3 million. No exceptions were found as a result of applying the procedure.

#### **Procedure 16**

Inquire of management if there is a process in place to ascertain whether or not "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, ascertain whether or not, by reference to the Electronic Municipal Market Access (EMMA) System (<https://emma.msrb.org>) that the disclosure was made.

#### *Results*

We inquired of JOBS' management and were informed that it regularly monitors events per Section 6 of the Continuing Disclosure Undertaking Agreement during the normal course of business through weekly meetings attended by the CFO and President/CIO. Management also informed us that no "reportable events" occurred during fiscal year 2018, which were required to be disclosed per Section 6 of the Continuing Disclosure Undertaking Agreement. No exceptions were found as a result of applying the procedure.

#### **Procedure 17**

Obtain from management filings to the trustee (as evidenced by email correspondence for submittal), for filing on the 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, 2018.
- (b) Within 60 days of the close of each March 31, June 30, October 30, and December 31, commencing June 30, 2013, financial information for the preceding three-month period, including unaudited financial statements and income statements, if audited financial statements are not available. Perform this procedure for any three-month period for which the filing date was in fiscal year 2018.
- (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 2018.

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



### *Results*

We obtained from management the filings to the trustee for filing on the EMMA System and confirmed that the March 31, 2018 and June 30, 2018 unaudited financial statements were not filed. No other exceptions were found as a result of applying the procedure.

### **Procedure 18**

For a randomly selected sample of six weeks during fiscal year 2018, ascertain whether or not JOBS provided the Trustee with an officer's certificate(s) providing an estimated Operating Expense of the Liquor Enterprise for the next week, including the amounts estimated to be paid under the Service Agreement.

### *Results*

We randomly selected a sample of six weeks and confirmed that 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. No exceptions were found as a result of applying the procedure.

### **Procedure 19**

Obtain management's calculation of the Minimum Debt-Service Coverage Ratio. Ascertain whether the elements used in the calculation are accurate by comparing the elements to the trial balance as of the date the calculation was prepared. Recalculate the Minimum Debt-Service Coverage Ratio and ascertain whether or not it was at least 1.35 as required in Sections 1.1 and 14.5 of the FTA.

### *Results*

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 using the trial balance of the audited financial statements, observing the ratio was in excess of 1.35. We agreed the elements of the management's calculation to the trial balance as of June 30, 2018 and confirmed that all elements in the calculation were accurate after rounding to the nearest thousand dollars. No exceptions were found as a result of applying this procedure.

### **Procedure 20**

If the Minimum Debt-Service Coverage 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. Ascertain whether or not a written report was submitted to DLC, JOBS, and the State within 60 days of the issuance of the written engagement report.

### *Results*

The Minimum Debt-Service Ratio was greater than 1.35 as calculated in Procedure 19. Therefore, no further procedures were performed. No exceptions were found as a result of applying the procedure.

### **Procedure 21**

Inquire of management and through inspection of the management-provided memorandum to the Ohio Office of Budget and Management, ascertain whether or not liquor enterprise profits exceeded the base franchise profits (for fiscal year 2018, the base amount is \$298,513,074.) If the base franchise profits were exceeded, recalculate that the cash payment made to the state (the "supplemental payment") was

equal to 75% of the amount by which the liquor enterprise profits exceeded the base franchise profits. Ascertain whether or not JOBS paid the calculated amount to the state by tracing the payment.

#### *Results*

We inquired of management and obtained the memorandum to the Ohio Office of Budget and Management (entitled "Deferred Payment Notice"), which indicated that the liquor enterprise profits were \$347,621,579. The profits exceeded the base franchise profits of \$298,513,074 by \$49,108,505. We recalculated the resultant supplemental payment of \$36,831,379 by multiplying the excess profit of \$49,108,505 by 75%. We also obtained the JOBS' bank statement for September 2018 and observed that the payment of \$36,831,379 was made on September 27, 2018. No exceptions were found as a result of applying the procedure.

#### **Procedure 22**

Obtain a schedule of debt-service requirements from management for fiscal year 2018. Ascertain whether or not JOBS paid each debt service amount by tracing to the check or wire transfer and ensuring that the payment was made on or before the debt-service requirement due date. If the due date is not a business day, ascertain whether or not the disbursement date was the next business day.

#### *Results*

The debt-service requirement schedule obtained from management indicated that a total of six debt-service payments were required to be paid during fiscal year 2018 amounting to \$102,894,300. The six debt-service payments totaling \$102,894,300 were made on the debt-service requirement due date, or the next business day if the due date was not a business day. No exceptions were found as a result of applying the procedure.

#### **Procedure 23**

Obtain from management a list of liquor inventory values by liquor agency as of June 30, 2018. Randomly select a sample of 10 agencies and compare the inventory values to the JOBS' liquor insurance coverage limit that is documented in the commercial package policy to ascertain whether or not the coverage limit has not been exceeded.

#### *Results*

We obtained the insurance policy documentation from the Controller, who obtained it from the CISR Account Specialist II, AON. JOBS maintained insurance for the operation of the liquor business and it included liquor insurance coverage over the liquor inventory at the liquor agencies. Through the package policy JOBS had a common cause limit of \$1 million per occurrence/\$1 million aggregate. We compared the limit to the liquor inventory value for each of the liquor agencies selected and none of the agencies had inventory levels over the coverage limit. No exceptions were found as a result of applying the procedure.

#### **Procedure 24**

By inquiry of management, ascertain whether there were any cancellations, reductions, or restrictions of the insurance coverage specified in the above procedures. If there were changes, ascertain whether or not 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.

#### *Results*

We inquired of JOBS' management and were informed that there were no cancellations, reductions or restrictions of the insurance coverage specified in the above procedures. No exceptions were found as a result of applying the procedure.