



# Dave Yost • Auditor of State

December 19, 2017

To the people of the State of Ohio:

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

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

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

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

This report is the fulfillment of those statutory obligations for the fiscal year ended June 30, 2017. 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 work once it was performed. The work, and this report, is the product of the private auditor, Deloitte & Touche LLP.

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

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

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

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

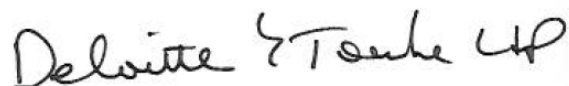
To the Board of Directors and Management  
JobsOhio and JobsOhio Beverage System  
Columbus, Ohio

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by JobsOhio (which includes its component unit JobsOhio Beverage System), together a component unit of the State of Ohio, (or 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, 2017. 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 or the audit committee of JobsOhio (the "Audit Committee") or 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  
December 8, 2017

## **EXHIBIT A – AGREED-UPON PROCEDURES FOR COMPLIANCE MATTERS FOR THE YEAR ENDED JUNE 30, 2017**

### **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 2017. 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 (July 2016, December 2016, January 2017 and April 2017) during fiscal year 2017 along with supporting receipts. The total of the expense reports amounted to \$22,963. 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 2017. 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.

#### ***Results***

We randomly selected 20 expenditures from the detailed listing of expenditures for fiscal year 2017 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. Three exceptions were found as there were no

approvals in EMSS. Inquiries with management indicated that EMSS is only used for vendor invoices, employee expenses, and credit card expenses. Expenditures such as investment fees, bank fees and grants/loans are not entered into EMSS. The three exceptions fell within one of those categories excluded from EMSS. We obtained alternative support to ascertain that there was proper approvals that occurred outside EMSS. We randomly selected 3 additional selections from the expenditure detail and obtained a screenshot of the Approval Flow within EMSS, observing two different approvals for each selection, including a member of the leadership team.

### ***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 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 2017 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 November 18, 2016. 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 (of which there are 10) and management to approve the compensation for all other employees. We randomly selected a sample of 10 employees from the June 30, 2017 payroll register, which was the last payroll pay date of the fiscal year. One of the employees selected was an executive and we compared and agreed the individual’s name and compensation amount to the Board-approved compensation plan. For the remaining nine sampled employees, we obtained the employee’s respective offer letter and adjustment authorization form, if applicable, observed the compensation amount was approved by the President and CIO for eight of the employees. One employee’s compensation amount was approved by a senior managing director. We also obtained the employees’ payment stub dated June 30, 2017. 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.

### ***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 2017.

### ***Results***

We inspected the minutes of the Board of Directors and confirmed that the strategic plan for calendar year 2017 was established on February 24, 2017. 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 2017. 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 2017, which listed 31 disbursements for a total of \$7,748. We inspected the corresponding documentation (invoices and expense reimbursement forms) in order to note the classification of the disbursements. All of the disbursements but one were classified as travel, lodging, meals, or supplies. The disbursement that was not for travel, lodging, meals, or supplies was listed as a miscellaneous expense. We obtained management's representation indicating that the reimbursement was not compensation, and was an allowable business expense. 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 2017. 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 2017 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 these individuals who have filed 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 and identify the number of statements not filed on or before May 15, 2017, or, if an individual is appointed or employed after that date and up to June 30, 2017, 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, 2017. For the one individual appointed or employed after that date and up to June 30, 2017, we obtained the file-stamped cover page for the financial disclosure statement and observed that such statement was filed within 90 days after appointment or employment. 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, 2016 through June 30, 2017. 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, 2016, through June 30, 2017, which reported a total of \$71,536.31 in expenditures. There were no expenditures reported during the second quarter of fiscal year 2017. The quarters 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 \$8,343.64 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 9 of the 10 selections. One selection did not match the supporting documentation. Specifically, a portion of the expenditure was reported in a foreign currency instead of United States dollars (“USD”), resulting in a difference. The difference in USD between the supporting documentation and the report in USD was approximately \$20.

### ***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, 2017. 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 that a minimum of four meetings were held and that the minutes contained documentation that the meetings were open to the public except, by a majority vote of the directors present at the meeting, the meeting may be closed to the public. Ascertain 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). Four such meetings were held during fiscal year 2017. Per our inspection of the 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. We obtained email evidence for each 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. The press releases are issued to the press and posted on the JobsOhio website. It

was observed that there was a press release for each of the board meetings posted a couple of days prior to each of the board meetings in the news section of the website. No exceptions were found as a result of applying the procedure.

### ***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, 2016. Ascertain whether or not it was submitted by March 1, 2017, 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 JobsOhio during the preceding year.

### ***Results***

We obtained and inspected the report entitled "JobsOhio 2016 Annual Report/2017 Strategic Plan," which details JobsOhio's activities for the year ended December 31, 2016. 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, 2017, which meets the required submittal of March 1, 2017. As per email correspondence, the following documents were submitted to the Governor: a) the JobsOhio 2016 Annual Report/2017 Strategic Plan and b) Top Issues to Improve Ohio's Competitiveness (2016).

We obtained written representation from management identifying the pages from the report entitled "JobsOhio 2016 Annual Report/2017 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;
- (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;
- (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, 2017 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, 2015, between JobsOhio and the DSA. We observed that the filing included each of the designated records described in this procedure. No exceptions were found as a result of applying the procedure.

#### ***Procedure 13***

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, 2017. 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, 2017.

#### ***Procedure 14***

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 2017 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 15***

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 5, 2017, for calendar year 2016 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 2016. 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 2017. 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 7, 2017.

### ***Results***

We randomly selected a sample of ten companies from the OEC Compilation Lists dated June 5, 2017 and compared the company names to the DSA End-of-Year Report. We identified two companies which had active Projects or arrangements, defined as having received an offer from JobsOhio during the first six months of fiscal year 2017. These companies were identified on the letter back to the OEC dated July 7, 2017. No exceptions were found as a result of applying the procedure.

### ***Procedure 16***

For fiscal year 2017, 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 2016. 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 2017, 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 members' or employees' 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 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 2016. We identified six Board members or employees who had a de minimis financial or fiduciary interest in an entity that JobsOhio had a Project or arrangement with during fiscal year 2017. De minimis is defined by the Conflicts of Interest Policy established by JobsOhio. For each of the interests, 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 17***

From the list of Projects or arrangements on the DSA End-of-Year Report covering the last six months of calendar year 2016, 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 2016. For each of the twenty projects selected, the 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 identified four individuals which had a financial interest, however the financial interest related to consumer debt (credit card) interest with the company of one Project, which does not require inclusion in the Conflicts of Interest section of that Project file. For that same project, we identified an individual who held a financial interest, which was included in the Conflicts of Interest section of that Project file. No exceptions were found as a result of applying the procedure.

### ***Procedure 18***

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 2017, 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 2016 and November 2016. 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 19***

Randomly select a sample of 10 expenditures from a detailed listing of expenditures for fiscal year 2017 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 obtained a detailed listing of expenditures for fiscal year 2017, the total of the detailed listing was agreed to the total operating expenditures excluding salaries and benefits per the audited financial statements for the fiscal year ended 2017 and agreed within \$1,173. The total of 10 expenditures that were randomly selected amounted to \$2,480.50. We inspected the expenditure description listing on the invoice or contract/agreement and inquired of management regarding the nature of the expenditure item. There was no evidence observed that the expenditure was not related to JobsOhio's nonprofit purpose. No exceptions were found as a result of applying the procedure.

### ***Procedure 20***

ORC 187.061(A)—Obtain the ethical conduct statement and the gift policy acknowledgement for all officers and employees of JobsOhio and compare such statements to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2017.

### *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 2017, which consisted of 74 employees and three officers. We compared and agreed each of the employees' names (excluding officers or the Board of Directors) from the last payroll. 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. For all but one of the employees and officers listed, we obtained their respective ethical conduct statement and gift policy acknowledgement. One employee did not have an ethical conduct statement and gift policy acknowledgement. Inquires to management revealed that the individual was on long-term disability at the time of training and did not sign an acknowledgement when the individual returned to work.

### ***Procedure 21***

ORC 187.061(A)—Obtain completion certificates or attendance register for annual course or program of study on ethics for all officers and employees of JobsOhio and compare the names of officers and employees to a listing of employees listed on the payroll register for the last payroll paid in June 2017.

### *Results*

The courses held were: "JobsOhio Annual Ethics Training," which was held on October 3, 2016 for employees; "JobsOhio Annual Ethics Training," for officers held on September 23, 2016; 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 2017. We compared the names of the training records to the payroll register for the last payroll paid in June 2017. We observed

thirteen individuals in the training records, which were not on the payroll register. Eleven of these individuals were employees, who are no longer with the Entity per inquiries with management. The other two individuals were officers who would not be on the payroll register. We observed one employee that was on the payroll register for the last payroll paid in June 2017 that did not attend the training nor have an Annual Ethics Training acknowledgement. Management inquiries confirmed that the individual was on long-term disability at the time of training and did not sign an acknowledgement when the individual returned to work, prior to last payroll paid in June 2017.

### ***Procedure 22***

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 23***

From the JobsOhio Monthly Executed Agreement Reports located on the JobsOhio website covering the period July 1, 2016, through June 30, 2017, randomly select a sample of five JobsOhio Economic Development Grants, five JobsOhio Workforce Grants, five JobsOhio Research and Development Grants, five JobsOhio Growth Fund Loans, and five JobsOhio Revitalization Loans. If the number of grants and loans executed in fiscal year 2017 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 supersedes 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).

### *Results*

We selected a sample of five JobsOhio Economic Development Grants, five JobsOhio Workforce Grants, five JobsOhio Growth Fund Loans, and two JobsOhio Revitalization Loans. Per management there were no JobsOhio Research and Development Grants executed in fiscal year 2017. No exceptions were found through observation of the JobsOhio Monthly Executed Agreement Reports, in which no grants were identified as Research and Development grants. We performed each of the aforementioned procedures for each of the grants and loans selected. None of the selected loans or grants were retail or population-driven business. No exceptions were found as a result of applying this procedure.

### ***Procedure 24***

For the five JobsOhio Economic Development grants selected in Procedure 23, obtain the executed grant agreement and ascertain whether or not it includes any ineligible costs [as outlined in the program guidelines approved by the Board and in effect on the date the agreement was executed ("Board Guidelines")] 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.

#### *Results*

For each of the JobsOhio Economic Development grants selected in Procedure 23, 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 25***

For the five JobsOhio Workforce grants selected in Procedure 23, 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.

#### *Results*

For each of the JobsOhio Workforce grants selected in Procedure 23, 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 26***

For the five JobsOhio Research and Development grants selected in Procedure 23, 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.

#### *Results*

As there were no JobsOhio Research and Development grants executed in fiscal year 2017, there were no Research and Development grants selected in Procedure 23. Therefore, no further procedures were performed.

#### ***Procedure 27***

For the five JobsOhio Growth Fund loans selected in Procedure 23, 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. 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 23, 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 or agreed 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. 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 the amount that the applicant committed. Four of the applicants committed to make at least a 10% contribution/equity in the allowable Project costs. The exception was that one applicant did not commit to make at least a 10% contribution/equity in the allowable Project costs; instead the applicant committed to make a contribution/equity of 9.95%. 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.

### *Procedure 28*

For the JobsOhio Revitalization Program loans selected in Procedure 23, 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 Program loans chosen in Procedure 23, 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 one 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 29*

For the loans selected in Procedure 23, 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 2017 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 their 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 Executive 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 each of the loans selected in Procedure 23, we performed each of the aforementioned procedures. We inspected the loan agreement for the disbursement requirements specific to that loan and 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 two which had no disbursements during fiscal year 2017, we randomly selected one reimbursement request paid during fiscal year 2017 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 Executive 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 30***

For each of the 15 grant funds selected in Procedure 23, randomly select one reimbursement request paid during fiscal year 2017, 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 their 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 Executive 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*

Ten grant funds were selected in Procedure 23, as there were no research and development grants. For each of the grants selected in Procedure 23, we observed that one out of the ten had reimbursement requests paid in fiscal year 2017. For the one grant, one fiscal year 2017 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 Executive 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 exceptions were found as a result of applying the procedure.

### ***Procedure 31***

From the JobsOhio Monthly Executed Agreement Reports covering the period January 1, 2016 through December 31, 2016, 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, 2017.
- (2) If an annual report was received later than March 1, 2017, by inspection of the Project records, note the date the report was received.
- (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, 2016, through December 31, 2016, 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, 2017, with the exception of one selection. For one grant, management approved an extension of the submission deadline to March 15, 2017 and the annual report was submitted March 13, 2017. We inspected the PPRT meeting notes in the Project record to note if the Project was selected to go before the PPRT and observed that it was, so we then confirmed that it was on the PPRT meeting agenda for discussion. No exceptions were found as a result of applying the procedure.

### ***Procedure 32***

Obtain from management a list of all Projects that reached their MEvD on December 31, 2016 ("2016 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, 2016, 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 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 33***

Of the non-Phase II JobsOhio Projects with a MEvD of December 31, 2016, 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 2016.
- (2) If the company did not submit an Annual Report for calendar year 2016, 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.
- (3) 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.

### ***Results***

We obtained the 2016 Annual Reports for each of the selected five projects. As each selected company submitted an annual report no further procedures were performed. No exceptions were found as a result of applying the procedure.

### ***Procedure 34***

For the five Projects selected in Procedure 33, 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 33, 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 35***

Of the Projects listed on the 2016 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 2016 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 35**

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

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 20 projects, which was the greater of 20 or 20% of projects listed, from the 2016 MEvD list and obtained the 2016 Annual Reports for each. Ten of the company's projects met their job number, payroll, and fixed assets metric commitments in agreement with the Exhibit A. As ten 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 nine projects had provided an explanation. Per management one project did not provide an explanation, but JobsOhio documented its attempted follow-up with the company. Ten projects were selected to go to the PPRT, and they were included in the agenda and the PPRT decision 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 35**

	Commitments	JC	JCP	JR	JRP	TFAI	Company Explained Variance (1)	JO Follow Up (2)	Went to PPRT (3)	Decision (4)	Decision Acted On (4)
Company 1	Original	Y	Y	Y	Y	Y					
	Amended Reported	Y									
		-36%	+119.6%	+0%	+0%	+137.1%	Y	Y	Y	Y	Y
Company 2	Original	Y	Y	Y	Y	Y					
	Amended Reported										
		-100%	-100%	-43.48%	-31.21%	+101%	Y	Y	Y	Y	Y
Company 3	Original	Y	Y			Y					
	Amended Reported	Y	Y								
		-38.8%	+104.6%			-19%	Y	Y	Y	Y	Y
Company 4	Original	Y	Y	Y	Y	Y					
	Amended Reported										
		-35%	+130.85%	+0%	+0%	+290%	Y	Y	Y	Y	Y
Company 5	Original	Y	Y	Y	Y	Y					
	Amended Reported										
		+212.5%	+152.54%	+0%	+0%	+117%					
Company 6	Original	Y	Y			Y					
	Amended Reported										
		+0%	+104.35%			+106%					
Company 7	Original	Y	Y			Y					
	Amended Reported										
		-16.36%	-29.27%			-20%	N	Y	Y	Y	Y
Company 8	Original	Y	Y			Y					
	Amended Reported										
		+143.33%	+223.27%			+391%					
Company 9	Original	Y	Y	Y	Y	Y					
	Amended Reported										
		+100.4%	+115.7%	+0%	+0%	+223.8%					
Company 10	Original	Y	Y	Y	Y	Y					
	Amended Reported										
		+205%	+140.18%	+0%	+0%	+156%					
Company 11	Original	Y	Y			Y					
	Amended Reported										
		-32.13%	-12.55%			-58%	Y	Y	Y	Y	Y

	Commitments	JC	JCP	JR	JRP	TFAI	Company Explained Variance (1)	JO Follow Up (2)	Went to PPRT (3)	Decision (4)	Decision Acted On (4)
Company 12	Original	Y	Y			Y					
	Amended Reported	-44%	-63.27%			+120%	Y	Y	Y	Y	Y
Company 13	Original	Y	Y	Y	Y	Y					
	Amended Reported	+241.43%	+325.4%	+0%	+0%	+126%					
Company 14	Original	Y	Y	Y	Y	Y					
	Amended Reported	+104.62%	+127.2%	+0%	+0%	+161%					
Company 15	Original	Y	Y	Y	Y	Y					
	Amended Reported	+135.90%	+147.10%	+0%	+0%	+151%					
Company 16	Original	Y	Y	Y	Y	Y					
	Amended Reported	+155.71%	+123.28%	+0%	+0%	+104%					
Company 17	Original	Y	Y	Y	Y	Y					
	Amended Reported	+125.4%	+115.91%	+0%	+0%	+159%					
Company 18	Original	Y	Y	Y	Y	Y					
	Amended Reported	-100%	-100%	-8.32%	-19.64%	+102%	Y	Y	Y	Y	Y
Company 19	Original	Y	Y	Y	Y	Y					
	Amended Reported	-76%	+242.91%	+0%	+0%	+180%	Y	Y	Y	Y	Y
Company 20	Original	Y	Y	Y	Y	Y					
	Amended Reported	+250%	+514.44%	+0%	+0%	-1%	Y	Y	Y	Y	Y

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 any changes or amendments were made to the conflicts of interest policy of JOBS during fiscal year 2017. 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 2017. No exceptions were found as a result of applying the procedure.

### ***Procedure 2***

Obtain a written representation from JOBS' 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 3***

Ascertain whether or not JOBS paid DLC the Estimated Expense Payment identified in the Expense Budget document covering fiscal year 2017 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 July 1, 2016; October 3, 2016; January 3, 2017; and April 5, 2017, 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, with the exception of the fourth quarter check paid on April 5, 2017. Per correspondence provided by management, the Ohio Department of Commerce did not confirm the amount to be paid until April 4, 2017, resulting in a delay in payment. We observed that total amount paid for the quarter beginning October 3, 2016 was net of the fiscal year 2016 overpayment, as determined by the Ohio Department of Commerce, in the amount of \$175,205.

### ***Procedure 4***

Following the fiscal year ended June 30, 2017, 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, 2017 which showed an overpayment of actual ordinary operating expenses of \$393,739. 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 5***

Through an inspection of the JOBS Annual Reconciliation Report for fiscal year 2017, 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 2017 showing that an Extraordinary Expense totaling \$258,233 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, but it did 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 approved the use of the Extraordinary Expense allowance fund for this expense. No exceptions were found as a result of applying the procedure.

#### ***Procedure 6***

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 \$7,042,647 per the "Ohio Department of Commerce JobsOhio Fee Budget FY 2016 / 2017" by 4%, which amounted to \$281,706. We inquired of management and ascertained that an annual

allowance for Extraordinary Expense was not paid to DLC by JOBS since the prepaid balance at the beginning of the fiscal year was \$302,880, which is greater than the calculated allowance. No exceptions were found as a result of applying the procedure.

#### ***Procedure 7***

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 2017. No exceptions were found as a result of applying the procedure.

#### ***Procedure 8***

Obtain a listing of liquor tax payments from JOBS 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 \$44,995,813. 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 9***

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 was one new vendor contract for the operation of the liquor business in fiscal year 2017. The contract was effective as of March 29, 2017, and JOBS provided DLC with written notice on May 30, 2017, which is not more than 30 days prior to the effective date of such new vendor contracts. Additionally, JOBS entered into two new lease agreements for warehouses. We inquired with management and found that JOBS does not consider these to be vendor contracts as outlined in the Operating Services Agreement. As such, management did not provide the DLC with written copies of these lease agreements.

### ***Procedure 10***

Obtain a listing of Commission and Vendor Payment disbursements for fiscal year 2017 from JOBS management. From the Commission and Vendor Payment disbursements 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 on which such disbursements were made.

### ***Results***

We randomly selected a sample of 20 transactions from the listing of Commission and Vendor Payment disbursements provided by management for the period July 1, 2016 to June 30, 2017. 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 11***

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

unaudited, interim financial statements no later than 30 days after their preparation, defined as the date of the independent accountants' review report; and

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, 2016, December 31, 2016, and March 31, 2017, 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, 2017, 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.

### ***Procedure 12***

Obtain from JOBS 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 using the Web portal provided by Key Bank. Obtain from 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 \$111,631,908.12. We randomly selected a sample of ten tax payments, which totaled \$45,599,826 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. DLC provided the bank transaction receipt for 9 of the 10 selections but was unable to obtain the bank transaction receipt for one selection. The one selection that could not be obtained amounted to \$4,375,739.56.

### ***Procedure 13***

Inquire of management if it has 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 2017, 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 14***

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, 2017.
- (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 2017.
- (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 2017.

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 December 31, 2016 unaudited financials were submitted after 60 days of the close and that the June 30, 2017 unaudited financials were not filed. No other exceptions were found as a result of applying the procedure.

***Procedure 15***

For a randomly selected sample of six weeks during fiscal year 2017, 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 16***

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, 2017 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 17***

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 16. Therefore, no further procedures were performed. No exceptions were found as a result of applying the procedure.

***Procedure 18***

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 2017, the base amount is \$289,818,519.) 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 \$307,811,779. The profits exceeded the base franchise profits of \$289,818,519 by \$17,993,260. We recalculated the resultant supplemental payment of \$13,494,944.88 by multiplying the excess profit of \$17,993,260 by 75%. We also obtained the JOBS' bank statement for September 2017 and observed that the payment of \$13,494,944.88 was made on September 28, 2017. No exceptions were found as a result of applying the procedure.

***Procedure 19***

Obtain a schedule of debt-service requirements from management for fiscal year 2017. 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 of the month.

***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 2017 amounting to \$102,896,414. The six debt-service payments totaling \$102,896,414 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 apply the procedure.