UNIVERSITY OF CINCINNATI
MARRIOTT KINGSGATE CONFERENCE CENTER

STATE GOVERNMENT, HAMILTON COUNTY

AGREED UPON PROCEDURE

JANUARY 1, 2006 THROUGH DECEMBER 31, 2006

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To Mr. Philip R. Cox, Chairman of the Governance and Audit Committee and
Mr. James D. Plummer, Vice President for Finance
University of Cincinnati
Cincinnati, Ohio

We have performed the procedures enumerated below, which were agreed to by the University of Cincinnati (the "University"), with respect to the accounting records of the Marriott Kingsgate Conference Center ("Marriott") as of December 31, 2006, solely to assist you in assessing Marriott's compliance with the Marriott Management Contract for Kingsgate Conference Center (the "Contract") for the year ended December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. We obtained the annual "operating and loss" statement (the "statement") for fiscal year 2006 as prepared by Marriott and inquired whether the basis of presentation remains on the accrual basis in accordance with generally accepted accounting principles and were informed by the Marriott area controller, the basis of presentation remains on the accrual basis and noted no exceptions, except 1) 2005 bonus expense was under-accrued by approximately $42,726; and 2) the current year bonus expense was over-accrued by $18,976; and 3) 2006 property insurance premium expense of approximately $16,000 was not accrued for as of December 31, 2006.

2. We compared gross revenue for fiscal year 2006 per the statement to the detailed general ledger. We noted there is no sales journal as the Marriott uses two sub-ledgers, the Property Management System (room sales) and Micros (all other revenue avenues), which post daily to the Revenue Capture Subsidiary Ledger (RCSL). The RCSL posts weekly to the detailed general ledger. We noted that once the books are closed and a new accounting year begins, Marriott cannot access the year-to-date RCSL for a previous fiscal year. The Marriott area Controller was able to run queries of the RCSL for our selections in procedure 4 below and we compared them to the general ledger and found them to be in agreement.

3. We obtained explanations from Marriott for variances in gross revenues to plan and prior year greater than 5% for fiscal year 2006.

4. From the RCSL for 2006, five weekly queries were randomly selected and compared to the general ledger detail and we found them to be in agreement. We randomly selected 5 individual sales and compared them to supporting cash and credit sales documents and deposit support and found them to be in agreement. From the detailed cash or credit sales information and deposit tickets, we randomly selected five sales transactions and compared the amounts recorded in the appropriate RCSL to postings in the detailed general ledger and found them to be in agreement.

5. We inquired of the Marriott area Controller as to the existence of any major contracts during fiscal year 2006 for conventions or other outside events, noting major contracts identified by the Marriott area Controller to be the following: 1)Western and Southern contract and 2) Procter and Gamble contract. The Western & Southern contract was for 32 weekly events and the Procter & Gamble contract was for 3 weekly events. We selected five Western & Southern weekly events and 1 Procter & Gamble weekly event, obtained the guest folios for the week, comparing the total amount due per the guest folios to the amount of revenue guaranteed within the contracts noting the recorded revenue exceeded the required minimums per the contract. Western & Southern and Procter & Gamble are both direct bill customers. The events selected were billed by Marriott Business Services (MBS) and payment remitted to MBS. We compared our selected weeks revenue to the MBS receivable balance at December 31, 2006 and found that such balances were not included in the ending MBS receivable balance. The Marriott area Controller indicated that this was a verification that such amounts had been paid by the customers. We were unable to verify the cash received and applied to the receivable accounts as this information was unavailable.

6. We inquired of the Marriott area controller as to the existence of expenditures for fixed asset supplies during fiscal year 2006 as defined in the Marriott Management Contract and requested from Marriott the documentation evidencing approval by the University noting the source of funds used to pay for these expenditures was escrow funds and noted no exceptions, except: We were unable to obtain documentation from Marriott which evidenced that approval by the University for a $70,000 fixed asset expenditure related to the spa renovation.

7. We recalculated the annual escrow reserve requirement for fiscal year 2006 as required by the Contract and compared amounts recalculated to deposits indicated on the bank statement for the bank account established for such purpose and found them to be in agreement, with the following exceptions: For four months the escrow account payment varied from our recalculation as required by the contract by $20 or less. The total difference by December 31, 2006 netted to $0. We also noted the payment for periods 11 through 13 was made to the escrow account as one deposit on February 28, 2007.

8. We compared the five largest disbursements of escrow funds for fiscal year 2006 to vendor invoices for compliance with the Contract and noted no exceptions, except there were no identified invoices for two separate $25,000 disbursements of escrow funds. The journal entry description indicated that these disbursements related to bedding

replacement and were posted by Marriott relating to their allocation of one invoice for bedding replacement between capital and operating expenses. The journal entry described that a portion of the invoice was allocated to capital expenditures paid by the escrow account and a portion as operating expense paid by operating cash. We obtained Marriott's supporting calculation for the allocation between capital expenditures and operating expenditures and compared the amount for capital expenditures to the amount withdrawn from the escrow account and found them to be in agreement.

9. We inquired of Marriott as to the occurrence during the fiscal year 2006 of any "major repairs" as defined by the Contract, and were informed by the Marriott area Controller that no such repairs occurred during fiscal year 2006.

10. For expense categories reported in the monthly financial statements for fiscal year 2006 provided by Marriott to the University that are greater than 10% of total expenses, we randomly selected five individual expenditures from the general ledger expense account activity information and compared to information contained in supporting vendor invoices and found them to be in agreement.

11. We compared major expense categories reported in the monthly financial statements, for fiscal year 2006 provided by Marriott to the University, to budgeted amounts and prior year amounts and obtained explanations from the Marriott area controller about the reasons for variances > 5% from budget and > 10% from the prior year and the reported explanations are included in Exhibit A.

12. We compared employee head count per the system generated operating statement for fiscal year 2006 to budgeted and prior year full time equivalent head count per the operating statement by obtaining total hours worked and dividing by 2000 and obtained explanations from the Marriott area controller of the reasons for variances. We noted the payroll registers did not included full time equivalent totals. Per inquiry of the Marriott area Controller, the total hours worked included in the statistics section of the operating statement is systematically generated by the Labor Management Scheduling System which generates the payroll registers. The Marriott area Controller indicated that a full time equivalent is considered 2000 hours.

13. We obtained bank reconciliations for all Marriott cash accounts at the end of fiscal year 2006 and noted evidence of approval, and recalculated the reconciliation for mathematical accuracy by summing the amounts contained therein and comparing the sums to related totals or subtotals and found them to be in agreement. We also agreed bank balances per the reconciliation to amount contained in the respective bank statements and found them to be in agreement. We noted that the bank reconciliation for the Main Depository Account documented the "Adjusted Book Balance" to be $29,489.56. The amount per the general ledger was $(33,923.76). We inquired about the difference with the Marriott area controller and were informed the difference was due primarily to a $70,000 deposit made directly into the cash account by the University because she did not have any information on how to apply this $70,000 deposit and therefore did not record such amount to the general ledger until the following month. In addition, we noted that the bank reconciliation for the Liquour Checking Account documented the "Adjusted Book Balance" to be $27,596.55. The amount per the general

ledger was $21,430.28. We inquired of the difference with the Marriott area controller and were informed that the difference was due primarily to a $6,427.29 deposit made directly into the cash account by the University because she did not have any information on how to apply this $6,427.29 deposit and therefore did not record such amount to the general ledger until the following month.

14. We compared the accounts receivable balance per the fiscal year 2006 financial statement provided by Marriott to the detailed accounts receivable trial balance for each of the separately identified accounts receivable general ledger accounts and found them to be in agreement except the following: 1) the general ledger balance was $5,983.24 greater than the accounts receivable trial balance support obtained from Marriott for credit card receivables; and 2) the general ledger balance was $1,334.05 greater than the accounts receivable trial balance support obtained from Marriott for MBS non credit card receivables. We inquired of the Marriott area Controller as to any write-offs of accounts receivable during the year and were informed 2006 write-offs totaled $16,027.83.

15. We compared the fiscal year 2006 balances of all balance sheet accounts not included in procedures enumerated above to Marriott schedules that describe the composition of the account balances and found them to be in agreement except the following: account 2542101 - Gift Certificate Sales with a balance of $(220.00) did not have supporting documentation.

16. We inquired as to the existence during fiscal year 2006 of any employee bonuses earned. We obtained the bonus amounts from the Marriott area controller and compared them to payroll registers and to the bonus expense recorded in the financial statements and found them to be in agreement except the following: 1) The Marriott area controller was unable to provide us with the bonus calculations as bonuses are calculated by Marriott Corporate and communicated to Marriott Kingsgate; 2) As noted above in agreed-upon procedure #1, 2005 bonus expense was under-accrued by $42,976 and the 2006 bonus expense was over-accrued by $18,976; 3) Marriott did not have the bonus payment registers for two of the 2005 bonus payments paid during fiscal year 2006 totaling $31,657 of the $151,996 because per inquiry of the Marriott area controller they were paid to employees who transferred Marriott locations and the Marriott area Controller can no longer access their pay register; 4) There were no payroll registers available for two employees that received 2006 bonuses totaling $7,064 (per inquiry of the Marriott area Controller $6,464 of the $7,064 could not be traced to payroll registers because the employee transferred locations; and the remaining $600 could not be traced to payroll registers as the Marriott area Controller could not locate the register with the payment).

We were not engaged to perform an audit, the objective of which would be the expression of an opinion on, the financial statements of Marriott, or Marriott's compliance with the Marriott Management Contract for Kingsgate Conference Center. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Nor were we engaged to evaluate the design and operation of internal control (including, without limitation, effective internal control over Marriott's compliance with the Marriott Management Contract for Kingsgate Conference Center). Accordingly, we do not express such an opinion. Had we been engaged to perform such additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the Board of Trustees of the University, and the University's Governance and Audit Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 9, 2007

APPENDIX A

Expense Account	2006 Actual	2005 Actual	Fluctuation	% Fluctuation	2006 Budget	Flux Budget to Actual	% Flux to Actual
Rooms	1,511,837	1,411,137	100,700	7.14% {a}	1,501,501	10,336	0.69% {b}
Telephone	106,203	130,547	(24,344)	-18.65% {l}	129,956	(23,753)	-18.28% {l}
Gift Shops	32,524	31,860	664	2.08% {a}	31,400	1,124	3.58% {b}
Restaurants	994,343	892,325	102,018	11.43% {m}	927,528	66,815	7.20% {m}
Lounges	125,761	109,300	16,461	15.06% {i}	112,475	13,286	11.81% {i}
Audio Visual	246,501	249,105	(2,604)	-1.05% {a}	235,357	11,144	4.73% {b}
Banquet	568,831	531,237	37,594	7.08% {a}	517,595	51,236	9.90% {h}
Kitchen	1,992,965	1,873,298	119,667	6.39% {a}	1,944,853	48,112	2.47% {b}
Spa	58	0	58	{n}	0	58	{n}
Other Departments	768,313	733,920	34,393	4.69% {a}	796,983	(28,670)	-3.60% {b}
Total Dept Costs	**6,347,336**	**5,962,729**			**6,197,648**		
Administrative	1,227,047	1,002,889	224,158	22.35% {g}	1,148,063	78,984	6.88% {g}
Utilities	719,092	515,389	203,703	39.52% {k}	718,540	552	0.08% {b}
Repairs & Maintenance	567,388	553,277	14,111	2.55% {a}	501,224	66,164	13.20% {c}
CNTR Train & Reloc	0	1,177	(1,177)	-100.00% {f}	0	0	{b}
Accidents	78,538	84,186	(5,648)	-6.71% {a}	86,782	(8,244)	-9.50% {e}
Sales & Marketing	702,035	711,191	(9,156)	-1.29% {a}	717,623	(15,588)	-2.17% {b}
Total Support Costs	**3,294,100**	**2,868,109**			**3,172,232**		
Base Management Fee	404,433	388,602	15,831	4% {a}	402,871	1,562	0% {b}
FF&E Escrow	644,360	533,302	111,058	21% {j}	628,689	15,671	2% {b}
Other Deductions	57,997	81,430	(23,433)	-29% {d}	92,934	(34,937)	-38% {d}
Total Expenditures	10,748,226	9,834,172			10,494,374		

Tickmarks

{a} We note the expense fluctuation between fiscal year 2006 actual and fiscal year 2005 actual is 10% or less, as such, no inquiry or procedures required.

{b} We note the expense fluctuation between fiscal year 2006 actual and fiscal year 2006 budget is 5% or less, as such, no inquiry or procedures required.

{c} Per the Marriott area Controller, we note the reason for the fluctuation in repairs and maintenance expense between current year actual and current year budget occurred as Marriott was hoping to have less repairs and maintenance expense when budgeting for 2006, which did not happen. The Marriott area Controller noted the actual amount all depends on what happens throughout the course of the year and the Controller noted there was a roof repair that was not budgeted for and excess elevator and electrical repairs that were not budgeted.

{d} Per the Marriott area Controller, we note the reason for the fluctuation in other deduction expense in the current year as opposed to prior year occurred as the equipment lease expense decreased by $17,000 in the current year and the 2006 property insurance amount of approximately $16,000 allocated by Marriott which rolls into other deduction expense was not communicated to the Marriott area Controller until January 30 when the 2006 books were already closed, as such it was not accrued for at year end. Per the Marriott area Controller the above is also the explanation between the fluctuation between current year actual compared to current year budget.

{e} Per the Marriott area Controller, we note the reason for the fluctuation in Accidents expense between current year actual and current year budget occurred as the budgeted amount was based on prior year and the actual accident amount which is allocated by Marriott based on accidents occurred throughout the year was less than prior year due to fewer and less severe accidents.

{f} Per the Marriott area Controller, we note the fluctuation between current year and prior year relocation expense occurred as the client did not have any employees relocate in the current year as they did in the prior year.

{g} Per the Marriott area Controller, we note the reason for the increase in Administrative expenses between the current year and the prior year is due to the fact that 2005 bonus expense was under-accrued and therefore expensed in the current year for $40,000. Per discussion with the Marriott area Controller, we note that the current year expense also increased because during 2005 Marriott received an approximate $150,000 enterprise tax zone credit for bringing jobs to the area and the current year amount received was only $29,000, a diffference of $121,000, combined with $40,000 bonus expense for a total of $161,000, bringing fluctuation under 10%. Per the Marriott area Controller the reason for the fluctuation between current year actual and current year budget occurred as the $40,000 bonus above was not budgeted.

{h} Per the Marriott area Controller, we note the reason for the fluctuation in current year actual compared to current year budget occurred due approximately $30,000 increase in rebills expense that was not budgeted. Per the Marriott area Controller, rebills occur when a client such as Western & Southern want Kingsgate to organize transportation for employees participating in conferences at Kingsgate, Kingsgate organizes the transportion, pays for the expense and rebills Western & Southern for the amount of the transportation.

{i} Per the Marriott area Controller, we note the difference between the current year and prior year Lounge expense is due to the difference in hours worked by employees. Per the Marriott area Controller, in the prior year employees worked 4,483 hours and the current year the employees worked 5,186, a difference of 703 hours. Per the Marriott area Controller, the average rate for lounge employees make on average 8.96 per hour, a total difference of approximately $6,300 making up a majority of the fluctuation. Per the Marriott area Controller the reason for the difference in current year actual to current year budget is due to the fact that current year budget hours were 4,407 based off prior year, a difference of 779 hours or approximately $7,000. Per the Marriott area Controller, the reason there are many variables that can cause lounge hours to fluctuate, for example if the restaurant is not very crowded on a particular night the restaurant manager may send the lounge employees home and cover the lounge bar.

{j} Per the Marriott area Controller, the FF&E fluctuation is due to the fact that the line item is based upon the actual revenues calcualted as as 5% of revenue.

{k} Per the Marriott area Controller, we note that the fluctuation in utilities occurred as this is an amount that is allocated to Marriott by the University of Cincinnati and the amount in the operating statement is the current year amount allocated. Utilities increased due to the increase in utility prices due to economic conditions.

{l} Per the Marriott area Controller, we note the main reason for the decrease in telephone expense between 2006 and 2005 is due to a decrease in the "At Your Service" (Room Service phone line) salary of approximately $10,000 because front desk personnel began covering the at your service phone calls. Per the Marriott area Controller, the remainder of the decrease relates to a decrease in usage, which we noted during our revenue analysis. Per the Marriott area Controller, the reason for the fluctuation between current year actual to current year budget occurred for the same reason as above as the budgeted amount was based off of prior year results.

{m} Per the Marriott area Controller, the main reasons for the increase in current year as compared to prior year are as follows: $11,000 related to hostess wages that did not occur in prior year, increase in volume of restaurant service of approximately 3%, and an overall increase in wages and benefits of approximately 3%. Per the Marriott area Controller, the reason for the fluctuation between the current year actual and current year budget is due to the fact that an extra supervisor was brought in during the current year that was not budgeted.

{n} Per the Marriott area Controller, the $58 spa expense was mis-coded to an expense as it should have offset revenue and relates to a credit to a customer. Per the Marriott area Controller, there are no spa expenses as the spa is run by a third-party, who collects revenue and pays Marriott 20% of revenue collected for usage of the facility.

UNIVERSITY OF CINCINNATI MARRIOTT KINGSGATE CONFERENCE CENTER

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 1, 2008