



Dave Yost • Auditor of State

January 2, 2015

To the people of the State of Ohio:

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

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

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

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

This report is the fulfillment of those statutory obligations for the fiscal year ended June 30, 2013. 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, are the product of the private auditor, KPMG.

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

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

Dave Yost
Auditor of State



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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Directors and Management
JobsOhio and JobsOhio Beverage System

We have performed the procedures enumerated in Exhibit A (attached), which were agreed to by the management of JobsOhio and its component unit JobsOhio Beverage System and the Ohio Auditor of State, solely to assist JobsOhio and the Auditor of State in evaluating JobsOhio and JobsOhio Beverage System's compliance with certain requirements including Chapter 187 of the Ohio Revised Code (collectively referred to as Compliance Matters) for the year ended June 30, 2013. JobsOhio and JobsOhio Beverage System's management is responsible for the Compliance Matters. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit A either for the purpose for which this report has been requested or for any other purpose.

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

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

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

KPMG LLP

December 30, 2014

JobsOhio

Procedure 1

Obtain from management a list of JobsOhio credit cardholders and the credit card statements for four months during fiscal year 2013. Inquire of management and review documentation that credit card transactions were reviewed by the appropriate person, as identified on management’s list of authorized approvers, on a monthly basis. Obtain an employee expense report and the supporting documentation completed by the cardholder for each of the selected months. Determine that a supervisor approved each selected employee expense report, and reconcile it to the credit card statement.

Result

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

We obtained one employee expense report for each of haphazardly selected four months (July 2012, September 2012, February 2013, and May 2013) during fiscal year 2013 along with the supporting receipts. We compared and agreed each of the items claimed on the employee expense report to the amounts on the corresponding receipts. We also compared and agreed each of the items claimed on the employee expense report to the corresponding credit card statement. All amounts from the credit card statement for the specific employee selected were included on the employee expense report. No exception was noted.

For each of the selected four employee expense reports, we identified the approver of the expense report and agreed the approver’s name to a list of authorized approvers, which was provided by management. However, management informed us that JobsOhio’s expense review policy does not require a direct supervisor to approve the employee expense reports only that the approver be an authorized approver. No exception was noted.

Procedure 2

Select a sample of 20 expenditures from a detailed listing of expenditures, which has been reconciled to the audited financial statements, and determine if JobsOhio used payment authorization forms in fiscal year 2013 for these transactions.

Result

We haphazardly selected 20 expense journal entries from a population as specified above. For each of the expenses, we obtained the corresponding payment authorization form. For 16 of the 20 selections, we were provided a payment authorization form by management. For each of the following 4 selections management did not provide a corresponding payment authorization form:

<u>Expense identifier</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
JOH-001530	12/15/2012	\$ 25.00	Bank fee
JOH-002207	11/30/2012	576.16	Hardware paid via credit card
JOH-000304	9/26/2012	11.00	Employee parking
JOH-002618	6/30/2013	171.83	Employee meals

Management informed us that payment authorization forms are utilized only when an invoice is received related to the good or service to evidence the approval for payment. Therefore, a payment authorization form is not utilized for employee expense report items, charges paid via a credit card, or expenses without an invoice.

We selected 4 additional expenses and management provided the corresponding payment authorization form for each additional expense item. The total amount of expenses for the 20 samples, which were tested for payment authorization forms amounted to \$92,622.

Procedure 3

Inquire of management and inspect the Deposit Detail report for the period of July 1, 2012 through January 31, 2013 to determine if JobsOhio or JOBS received private donations during fiscal year 2013. If private donations were received, select a sample of four contributions and determine if Restricted Gift Forms were used, or if there was other documentation to identify any restrictions on the use of the contributions.

Result

We obtained the Deposit Detail report dated July 2012 through June 2013 for both JobsOhio and JOBS from management. The amount of the deposits listed for JobsOhio totaled \$1,991,229 and for JOBS totaled \$3,586,267. We inquired of management who identified 4 private donations during fiscal year 2013 for JOBS and none for JobsOhio. We scanned the Deposit Detail report for both JobsOhio and JOBS and did not identify any other amounts, which indicated in the description that they were a contribution. We selected all 4 private donations received during fiscal year 2013 for JOBS, which totaled \$270,000. None of the 4 private donations used Restricted Gift Forms. We inquired of management and were informed that no restrictions were placed on these private donations. For 3 of the donations totaling \$170,000, the documentation provided consisted only of the check copy. No restrictions were identified on the check copy. For the remaining donation of \$100,000, we were provided with the check copy and transmittal letter from the donor who did not indicate a specific restriction other than that it could be used for "job creation and capital investment in the State of Ohio".

Procedure 4

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

- (A) The designation of the name of the corporation as JobsOhio;
- (B) The creation of a board of directors consisting of nine directors, to be appointed by the governor, who satisfy the qualifications prescribed by Section 187.02 of the Revised Code;
- (C) A requirement that the governor make initial appointments to the board within sixty days after the filing of the articles of incorporation. The articles shall state that, following the initial appointments, the governor shall appoint directors to terms of office of four years, with each term of office ending on the same day of the same month as did the term that it succeeds. If any director dies, resigns, or the director's status changes such that any of the requirements of division (C) of Section 187.02 of the Revised Code are no longer met, that director's seat on the board shall become immediately vacant. The governor shall forthwith fill the vacancy by appointment for the remainder of the term of office of the vacated seat.
- (D) A requirement that the governor appoint one director to be chairperson of the board and procedures for electing directors to serve as officers of the corporation and members of an executive committee;

- (E) A provision for the appointment of a chief investment officer of the corporation by the recommendation of the board and approval of the governor.
- (F) Provisions requiring the board to do all of the following:
 - (1) Adopt one or more resolutions providing for compensation of the chief investment officer;
 - (2) Approve an employee compensation plan recommended by the chief investment officer;
 - (3) Approve a contract with the director of development services for the corporation to assist the director and the development services agency with providing services or otherwise carrying out the functions or duties of the agency, including the operation and management of programs, offices, divisions, or boards, as may be determined by the director of development services in consultation with the governor;
 - (4) Approve all major contracts for services recommended by the chief investment officer;
 - (5) Establish an annual strategic plan and standards of measure to be used in evaluating the corporation's success in executing the plan;
 - (6) Establish a conflicts of interest policy that, at a minimum, complies with Section 187.06 of the Revised Code;
 - (7) Hold a minimum of four board of directors meetings per year at which a quorum of the board is physically present, and such other meetings, at which directors' physical presence is not required, as may be necessary.
 - (8) Establish a records retention policy and present the policy, and any subsequent changes to the policy, at a meeting of the board of directors at which a quorum of the board is required to be physically present pursuant to division (F)(7) of this section;
 - (9) Adopt standards of conduct for the directors.
- (G) A statement that directors shall not receive any compensation from the corporation, except that directors may be reimbursed for actual and necessary expenses incurred in connection with services performed for the corporation;
- (H) A provision authorizing the board to amend provisions of the corporation's articles of incorporation or regulations, except provisions required by this chapter;
- (I) Procedures by which the corporation would be dissolved and by which all corporation rights and assets would be distributed to the state or to another corporation organized under this chapter. The articles shall state that no dissolution shall take effect until the corporation has made adequate provision for the payment of any outstanding bonds, notes, or other obligations.
- (J) A provision establishing an audit committee to be comprised of directors. The articles shall require that the audit committee hire a firm of independent certified public accountants, selected in consultation with the auditor of state, to perform, once each year, a financial audit of the corporation and of any nonprofit entity the sole member of which is JobsOhio.
- (K) A provision authorizing a majority of the disinterested directors to remove a director for misconduct, as that term may be defined in the articles or regulations of the corporation.

Result

We inquired of management and were informed that the Articles of Incorporation were amended in fiscal year 2013. We obtained the original Articles of Incorporation that were filed with the Ohio Secretary of State on July 6, 2011 and the Amended and Restated Articles of Incorporation that were filed on January 14, 2013. We compared and agreed the wording from the original Articles of Incorporation to the wording in the Amended and Restated Articles of Incorporation for each of the below items which correspond to the items in the procedure section with the following results:

<u>Procedure reference from above</u>	<u>Original articles of incorporation reference</u>	<u>Amended and restated articles of incorporation reference</u>	<u>Change in wording</u>
(A)	Initial Articles of Incorporation form of Ohio Secretary of State	Article I	No
(B)	Article V, Section 5.2	Article V, Section 5.2	No
(C)	Article V, Section 5.3	Article V, Section 5.3	No
(D)	Article VII, Section 7.2	Article VII, Section 7.2	No
(E)	Article VII, Section 7.3	Article VII, Section 7.3	No
(F)	Article V, Section 5.1	Article V, Section 5.1	Yes – Section 5.1(c) contained several minor wording changes which consisted of such items as changing “Ohio Director of Development” to “director of development services” and “Ohio Department of Development” to agency.
(G)	Article V, Section 5.6	Article V, Section 5.6	No
(H)	Article IX	Article IX, Section 9.1	No
(I)	Article VIII, Section 8.2	Article VIII, Section 8.2	Yes – original language is unchanged; however, additional language has been added to the end of Section 8.2 in the Amended and Restated Articles of Incorporation which begins with “In addition, upon dissolution, the Corporation shall cause...” and includes all language to the end of Section 8.2.
(J)	Article VI, Section 6.2	Article VI, Section 6.2	No
(K)	Article V, Section 5.5	Article V, Section 5.5	No

Additionally, we obtained the minutes of the board of directors meetings that indicated that in the meeting held on January 6, 2013, the board approved Resolution 2013-1, which amended the Articles of Incorporation. We did not identify any other board actions related to the Articles of Incorporation as documented in the board meeting minutes for fiscal year 2013. For the executive sessions of the board of directors held on August 8, 2012 and February 6, 2013, management provided documentation and representations that no action was taken and, therefore, no minutes were prepared for those sessions.

Procedure 5

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

Result

We inquired of management and were informed that there were two vacancies on the board of directors during fiscal year 2013 as follows:

<u>Vacating board member</u>	<u>Replacement board member</u>	<u>Approved term ending</u>
Mark Kvamme	John Minor	July 5, 2013
Robert McDonald	A. Brad Lindner	July 5, 2016

The vacancy caused by Mark Kvamme was due to his departure during his specified term while the vacancy of Robert McDonald was caused by his term ending during fiscal year 2013. We inspected the minutes of the board of directors for fiscal year 2013 and did not identify any additional board of director’s vacancy other than the two listed above. For the executive sessions of the board of directors held on August 8, 2012 and February 6, 2013, management provided documentation and representations that no action was taken and, therefore, no minutes were prepared for those sessions.

We obtained the Written Action of the Governor of the State of Ohio that was dated November 1, 2012 and signed by John R. Kasich, Governor of the State of Ohio, which contained the Governor’s appointment of both replacement board members identified above.

Procedure 6

ORC 187.01(F)(5) - Inspect the minutes of the board of directors and list the date the strategic plan was established by the Board for calendar year 2013.

Result

We obtained the minutes of the board of directors held on February 6, 2013 and through Resolution 2013-6, the board approved the strategic plan for calendar year 2013.

Procedure 7

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

Result

During fiscal year 2013, the JobsOhio board of directors defined major contracts (as specified in the related board resolutions) as follows:

July 1, 2012 through May 8, 2013 – “a major contract for services requiring Board approval is defined as a contract that (a) obligates the Corporation to expend \$1,000,000 or more on goods or services, (b) obligates the Corporation to expend less than \$1,000,000, but is outside the ordinary course of business for the Corporation, or (c) is a contract for services extending beyond one year in duration that obligates the Corporation to spend in excess of \$250000 in any 12 month period”.

May 8, 2013 through June 30, 2013 – “a major contract for services means each contract for services that individually requires the Corporation to expend more than \$750,000”.

We inquired of management and were informed that there were no major contracts entered into during fiscal year 2013 that met the board-approved criteria.

Procedure 8

ORC 187.01(G) – Obtain from management a listing of disbursements, and the corresponding documentation, made to Directors in fiscal year 2013. From that list, review any supporting documentation and list any disbursements that are not expense reimbursements for travel, lodging, meals, or supplies. For those disbursements that were not reimbursements for travel, lodging, meals, or supplies, through inspection of documentation and inquiry of management, determine if any of those disbursements were for compensation and if so, report the disbursements that were for compensation.

Result

We obtained a listing of disbursements made to Directors in fiscal year 2013, which listed 17 disbursements for a total of \$6,867. From the listing of disbursements, 10 disbursements were identified as being charged to “travel and meetings” and thus we did not perform any procedures over these disbursements. For the remaining 7 disbursements, which totaled \$1,222, we inquired of management and were informed that none of the disbursements were for compensation. We also obtained the corresponding documentation (which included invoices, account statements, etc.) and compared and agreed the amounts of the disbursements per the listing to the corresponding documentation. All disbursements were reimbursements for expenses incurred and none of the corresponding documentation provided by management indicated that the disbursements were for compensation.

Procedure 9

Obtain the Board minutes and through reading of the minutes determine if there were any new Board members appointed in fiscal 2013. If so, verify that management obtained documentation to determine that the board member had the qualifications required by ORC 187.02.

Result

We obtained the minutes for the board of directors for fiscal year 2013 and through the reading of those minutes identified two new board members appointed in fiscal year 2013. For the executive sessions of the board of directors held on August 8, 2012 and February 6, 2013, management provided documentation and representations that no action was taken and, therefore, no minutes were prepared for those sessions. However, we were able to obtain the regular meeting minutes from those respective board meetings.

JobsOhio’s management informed us that per the JobsOhio Articles of Incorporation, new board members are appointed solely by the Governor of the State of Ohio and in their opinion, the Governor is the party responsible for ensuring that board members meet the relevant qualifications. As such, management did not originally document their evaluation of the new board members’ qualifications. We were provided recently obtained biographies and/or LinkedIn profiles of each of the two new board members, which were appointed in fiscal year 2013 as management’s support for the board members’ qualifications.

Procedure 10

Obtain a listing from JobsOhio of all individuals who were required to file a financial disclosure statement with the Ohio Ethics Commission according to ORC 187.03(B)(2). For each of these individuals who have filed a confidential statement, obtain from management the date such statement was filed and identify any statements not filed on or before May 15, 2013 or, if an individual is appointed or employed after that date and up to June 30, 2013, within 90 days after appointment or employment.

Result

No exception was noted. We obtained a listing from management of all individuals who were required to file a financial disclosure statement. We inquired with management regarding the date such statements were filed and

management informed us that no statements were filed after May 15, 2013. As the financial disclosure statements are confidential, we did not perform procedures over the accuracy of the filing date as provided by management.

Procedure 11

Obtain the quarterly written reports of expenditures filed with the Ohio Development Services Agency (ODSA) for the Governor and public officials designated by the Governor required to be submitted for compliance with ORC 187.03(B)(3) (187.03 Report) for the period July 1, 2012 through June 30, 2013. Verify the date that each report was submitted as required by inspecting email correspondence for the submittal. For submittals that cannot be verified by email, confirm in writing with the Development Services Agency (DSA) the receipt date of the report. Verify that the report contained the following elements: the dollar value and purpose of each expenditure, the date of each expenditure, the name of the person that paid or incurred each expenditure, and the location, if any, where services or benefits of an expenditure were received. Obtain a copy of the business rules for preparing the 187.03 Reports (Business Rules). Select a sample of 10 transactions from the reports' subledgers and compare and agree the dollar value, purpose of each expenditure, the date of each expenditure, and the location, if any, where services or benefits of an expenditure were received, to the Business Rules and corresponding documentation. Report any instances where the expenditure reported was not supported by the Business Rules and the supporting documentation.

Result

We obtained the quarterly expenditure reports for fiscal year 2013, which reported a total of \$25,408 of expenditures. All reports contained columns which identified the following elements "dollar value", "purpose", "date", "name of person that paid", and "location" except for the fourth quarterly report (which covered the period of March 1, 2013 to May 31, 2013) as there were no expenditures reported for that quarter.

We haphazardly selected a sample of 10 transactions from the quarterly expenditure reports which totaled \$4,192. We compared and agreed the information in the quarterly expenditure reports as reported in the columns which identified the elements of "dollar value", "purpose", "date", "name of person that paid", and "location" to the expenditure's supporting documentation (i.e., receipt, invoice, or credit card statement). We also obtained the management prepared document entitled "Business Rules for ORC 187.07(B)(3) Report" (Business Rules) which summarizes management's assumptions regarding the above elements when preparing the quarterly expenditure report. For each of the 10 sample transactions, we also agreed the manner in which the transaction was reported to management's Business Rules. The following exceptions were identified:

- For 3 of the transactions selected, the supporting documentation provided was in a foreign currency and the Business Rules did not address the foreign currency translation rate that management would use in the preparation of the report. The reported amount of these 3 selections was \$110.11, \$21.59, and \$1,088.41. We utilized the foreign currency translation rate as reported on the Web site oanda.com on the day the selection was incurred and recalculated these amounts as \$109.97, \$21.56, and \$1,105.00, respectively.
- For 1 of the transactions selected which indicated on the quarterly expenditure report that the purpose was for "hotel", the supporting documentation provided was the credit card statement only. No receipt was available to support this charge and, therefore, we were unable to determine if the charges were for a hotel stay.

Procedure 12

Obtain minutes and a list of public meetings of the JobsOhio board of directors at which a quorum is required to be physically present under ORC 187.01(F), for the fiscal year ended June 30, 2013. Obtain JobsOhio's method for notifying persons of the time/place of such public meetings, and obtain the notices given for each such meeting. Verify that a minimum of four meetings were held and that the minutes contained documentation that the meetings

were open to the public except, by a majority vote of the directors present at the meeting, the meeting may be closed to the public. Ascertain that minutes were prepared, filed, and maintained for each of the meetings on the list of meetings provided by JobsOhio. For any such meetings during which a portion of the meeting was closed to the public, read the board approved description of why a portion of such meeting was closed to the public and verify it was for one or more of the following purposes:

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

Result

We obtained the board of directors meeting minutes for public meetings where a quorum is required to be physically present under ORC 187.01(F). Four such meetings were held during fiscal year 2013. Management informed us that their method for notifying persons of the time/place of such public meetings is to issue a press release one to two days prior to the meeting date. The dates of each meeting and the results of the relevant procedures enumerated above were as follows:

<u>Meeting date</u>	<u>Press release issued</u>	<u>Documentation in minutes that meeting was open to public</u>	<u>Minutes prepared, filed, and maintained</u>	<u>Executive session (closed to public)</u>	<u>If executive session, reason disclosed in minutes and is for one or more of purposes indicated above</u>
August 8, 2012	Yes	Yes	Yes	Yes	Yes
November 1, 2012	Yes	Yes	Yes	Yes	Yes
February 6, 2013	Yes	Yes	Yes	Yes	Yes
May 8, 2013	Yes	Yes	Yes	Yes	Yes

Procedure 13

Inspect the report submitted by the chief investment officer of JobsOhio to the Governor detailing the Corporation's activities for the year ended December 31, 2012. Determine that it was submitted by March 1, 2013 by inspecting email correspondence for submittal. Through inquiry of management and inspection of the report, verify that the report contained the following five elements:

- (1) An analysis of the state's economy;
- (2) A description of the structure, operation, and financial status of the corporation;

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

Result

We obtained and inspected the report entitled "JobsOhio 2012 Annual Report 2013 Strategic Plan" which details JobsOhio's activities for the year ended December 31, 2012. Management informed us that the report was hand delivered to the Office of the Governor of the State of Ohio and, therefore, no email evidence exists to document the submission date. We inquired of the Governor's Office and were informed that they did receive the report but that they did not maintain any evidence to support the date of submission.

We obtained from management a listing of the pages from the report entitled "JobsOhio 2012 Annual Report 2013 Strategic Plan," which corresponds to the five elements indicated in the procedure above. We compared and agreed the page numbers in the listing provided by management to the report. No exception was noted.

Procedure 14

Obtain the contract entered into between JobsOhio and the ODSA to assist the ODSA in its functions and duties. Inquire of management whether there was a new contract entered into during the fiscal year ended June 30, 2013. If so, inspect the contract to ensure that it was fully executed as evidenced by signatures for parties listed on the agreement, and that it includes the following terms:

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

- (g) A copy of the minutes of all public meetings described in division (C) of Section 187.03 of the Revised Code not otherwise closed to the public.

Result

The contract entered into between JobsOhio and the ODSA to assist the ODSA in its functions and duties is entitled "Agreement for Services" and was entered into as of January 30, 2012. We inquired of management and were informed that there was no new contract entered into during fiscal year 2013. No further procedures were performed.

Procedure 15

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

Result

We obtained the letter dated December 31, 2012 from JobsOhio to the Ohio Development Services Agency which listed the transmission of each of the items specified in the previous procedure as items 2(a) – (g) from JobsOhio to ODSA or that such items were not applicable.

Procedure 16

Determine through inquiry of management and inspection of minutes of the board of directors whether there were any changes to the conflicts of interest policy of JobsOhio during the fiscal year ended June 30, 2013. 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.

- a. Inspect JobsOhio's Board of directors' minutes for disclosures of financial interests and report any action taken by the Board as a result of those disclosures.
- b. Select a sample of 10 companies from the Ohio Ethics Commission's (OEC) compilation list (of each Board member's employer or ownership interests the Board member reported per ORC 187.06 – the "OEC Compilation List) dated August 2013 for calendar year 2012 and compare it to the projects or arrangements made by JobsOhio taken from the DSA End-of-Year Report for calendar year 2012. Identify any companies in the sample that had active projects or arrangements during the first six months of FY 2013. From that list identify whether JobsOhio reported those companies back to OEC by its letter to the OEC dated September 2013.
- c. Obtain from JobsOhio the compiled confidential lists of each Board member and employee's name, identifying number, and their related entities (organizations/businesses/corporations/affiliates etc.) identified as entities that could generate a potential conflict of interest (the JO Disclosures Lists) covering FY2013. From that list, select a sample of ten Board members or employees and their related entities and compare those related entities with the projects or arrangements listed on the DSA End-of-Year Reports covering FY2013. Identify any of their related entities that JobsOhio had a project or arrangement with during FY2013. For those identified as having a project or arrangement, review the project file to determine if a potential conflict was identified and for any involvement of the Board member or employee in the project. Report any project files where a potential conflict was not identified by JobsOhio.

- d. From the list of projects or arrangements on the DSA End-of-Year Reports covering FY2013, select a sample of 20 projects and review the project files. Record the names of JobsOhio employees and Board members who are identified in the project file as participating in the project. Compare that prepared listing of names to the JO Disclosures Lists covering FY2013. Report whether any potential conflicts were identified in the project file by JobsOhio.
- e. Verify that as of the date this agreed-upon procedures engagement was conducted, the conflict identification searches have been incorporated and implemented in JobsOhio's proprietary CRM software.

Result

Procedure 16 Result – No exception was noted. We inquired of management and were informed that there were no changes to the conflicts of interest policy during fiscal year 2013. Additionally, we obtained all minutes of the board of directors and did not identify any reference to a revision of the conflict of interest policy. For the executive sessions of the board of directors held on August 8, 2012 and February 6, 2013, management provided documentation and representations that no action was taken and, therefore, no minutes were prepared for those sessions.

Procedure 16a. Result – No exception was noted. We obtained all minutes of the board of directors and did not identify any reference to disclosures of financial interests. For the executive sessions of the board of directors held on August 8, 2012 and February 6, 2013, management provided documentation and representations that no action was taken and therefore, no minutes were prepared for those sessions.

Procedure 16b. Result – We were informed by management that an “active” project for purposes of reporting back to the OEC was defined as a project where minimally an offer had been made. Therefore, for purposes of the performance of this procedure, we defined an active project according to this definition. In our sample of 10 companies from the OEC compilation list, we found that there was one active project that was listed on the DSA End-of-Year Report for calendar year 2012, which was not appropriately reported back to the OEC in the letter to the OEC dated September 2013. The company that had an associated active project listed on the DSA End-of-Year Report was a subsidiary of the company listed on the OEC compilation list.

Procedure 16c. Result – No exception was noted. Involvement in a project was determined by whether or not the board member or employee's name was contained in the electronic project file. We did identify that JobsOhio did not identify in certain project files that employees maintained credit cards with relevant companies. However, in all such instances, there was no involvement of the individual in the project (as determined by their respective name being present in the electronic project file).

Procedure 16d. Result – No exception was noted. For 4 of the projects selected, JobsOhio had identified a potential conflict within the project file. Each of these conflicts related to a board member or employee owning de minimis stock ownership in the related company. JobsOhio's policy does not consider de minimis stock ownership of 1% or less to be an actual conflict and thus in all 4 projects, the potential conflict was resolved. In all 4 projects, the board member or employee owning the de minimis stock ownership did not participate in the project, which was determined by whether or not their name appeared in the project file.

Procedure 16e. Result – No exception was noted. Management provided a demonstration of their proprietary CRM software to substantiate that the conflict identification searches have been incorporated and implemented.

Procedure 17

ORC 187.06(E) - Obtain Board and compensation committee meeting minutes and compare with a list of officers and employees who received compensation from JobsOhio during the fiscal year to identify whether any

compensated officer or employee voted on or provided information to the Board or compensation committee pertaining to that individual's compensation.

Result

We obtained from management a listing of all board and compensation committee meeting minutes for fiscal year 2013. We were informed that no compensation committee minutes exist for fiscal year 2013. Additionally, no meeting minutes were prepared for the board executive sessions held on August 8, 2012 and February 6, 2013. Therefore, we were not able to perform the specified procedures related to these sessions.

We also obtained a listing from management of officers and employees who received compensation from JobsOhio during the fiscal year. This listing contained the names of 37 individuals. We did not identify any instance in the board meeting minutes that were provided to us where any compensated officer or employee voted on or provided information to the Board pertaining to that individual's compensation.

Procedure 18

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

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

Result

We were informed by management that the process to sign the annual conflicts of interest statement was first implemented during fiscal year 2013. We obtained from management a listing of each officer and director in fiscal year 2013, which totaled 11 individuals. We also obtained the annual conflicts of interest statement for each of the individuals, which indicated that they were signed between October 2012 and January 2013. One of the 11 individuals did not complete the statement as he had departed the board prior to the implementation of the required statements.

Procedure 19

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

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

If no review was performed, inquire of management when the review will be completed. If such periodic review was completed, verify that the three elements listed above were covered. If such periodic review was not completed, inquire of management whether a periodic review was conducted covering any of the three elements listed above, and obtain documentation to verify same.

Result

We inquired of management and were informed that a periodic review that determined all of the above items was not conducted during fiscal year 2013. We inquired of management who indicated that such a review will be conducted during fiscal year 2015.

Procedure 20

Select a sample of 10 expenditures from a detailed listing of expenditures which has been reconciled to the audited financial statements and which consists of all expenditures excluding salaries and benefits. For each sample item, obtain the related documentation, which may include an invoice from the vendor or a contract/agreement. Report any sample items for which the documentation evidences the expenditure was not related to JobsOhio's nonprofit purpose as stated in Article III of the initial Articles of Incorporation, dated July 6, 2011, or the Amended and Restated Articles of Incorporation dated January 11, 2013, filed with the Ohio Secretary of State.

Result

The total expenditures in fiscal year 2013, which did not include salaries and benefits amounted to \$3,000,000. The total of the 10 expenditures that were haphazardly selected amounted to \$64,197. We inspected the expense description in the listing and on the invoice or contract/agreement and inquired of management regarding the nature of the expense item and based on those procedures the selected items appeared to be for the stated purpose of JobsOhio. No exception was noted.

Procedure 21

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, 2013.

Result

No exception was noted.

Procedure 22

ORC 187.061(A) - Obtain completion certificates or attendance register for annual course or program of study on ethics for all officers and employees of JobsOhio and compare the names of officers and employees to a listing of employees listed on the last payroll register for JobsOhio for the fiscal year ended June 30, 2013.

Result

We obtained the last payroll register for JobsOhio for the fiscal year ended June 30, 2013 which had a pay date of June 28, 2013. A total of 30 employees were listed. We compared and agreed each of the employees' names to the course attendance register provided by management for the ethics course which management informed us was conducted on October 22, 2012. For 20 of the employees, no exception was noted. For 10 of the employees, management informed us that the employee was hired subsequent to the October 22, 2012 course date and thus did not attend. We obtained the employment offer letters for each of these 10 employees and verified that the date listed on the employment offer letters was subsequent to October 22, 2012.

Additionally, management provided us the attendance register for the ethics course which was entitled "JobsOhio Staff Ethics Training, September 16, 2013". We compared and agreed the names of the 10 employees whose names were not listed on the October 22, 2012 ethics training attendance register to the September 16, 2013 ethics training attendance register. This procedure was performed without exception for 8 of the 10 employees. Two of the employees were summer interns employed in June 2013, and both of them were provided a hard copy of the ethics presentation on or about the date of their hire, based on documentation provided by management.

Procedure 23

ORC 187.07 - Obtain from management a receipt of public funds schedule. Obtain from management copies of the bank statements for the account in which the public funds were deposited. Select a sample of four receipts from the public funds schedule and compare and agree the amounts of the receipts on the receipt schedule to the amounts of the deposits on the bank statements. From the sample, identify and list all receipts that do not have a corresponding deposit.

Result

No exception was noted. We obtained a receipt of public funds schedule from management, which listed 8 deposits totaling \$615,337. We haphazardly selected a sample of 4 receipts from the listing, which totaled \$470,850 and compared the amounts to the bank statement provided by management finding the amounts to be in agreement.

Procedure 24

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

Result

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

JOBS

Procedure 1

Obtain a copy of the conflicts of interest policy of JOBS. Inspect action of the board of directors evidencing formal adoption and approval.

Result

No exception was noted. We inspected the minutes of the board of directors and noted that the conflict of interest policy was approved and adopted on January 6, 2013.

Procedure 2

Inspect any amendments to JOBS articles of incorporation for the fiscal year ended June 30, 2013 to ascertain that the following provisions are included: the name of the corporation, the place in Ohio where the principal office of the corporation is to be located, and the purpose or purposes for which the corporation is formed.

Also perform procedures for the following two provisions that were included in the amended articles of incorporation in January of 2013, as follows:

Article VI: Board of Directors

6.3 Substantial Conflicts of Interest Policy, in part, states “the Board and all Board committees operating with Board-delegated powers shall operate pursuant to a substantial conflicts of interest policy.” Through inquiry of management and inspection of the policy, verify that a conflicts of interest policy was in place as of the date of the amendment, January 11, 2013.

6.5 Independent Directors, in part, states “The Board shall at all times have at least two Independent Directors.” Obtain a list of the board of directors as of June 30, 2013 and through an examination of management’s documentation ensure that, for at least two of the directors, the elements for independence as described in 6.5(a) and (b) were met. Report if documentation does not support that two directors were independent.

Result

We obtained the amendment to the JOBS’ articles of incorporation dated January 2013. The provisions specified above were included in Articles I, II, and III. No exception was noted.

We inquired of JOBS’ management who positively affirmed that a conflicts of interest policy was in place as of the January 11, 2013. We obtained the Conflicts of Interest Policy which is contained within Article VIII in the Amended and Restated Articles of Incorporation. We also obtained the Written Consent of Sole Member Without a Meeting which evidenced the approval of the Amended and Restated Articles of Incorporation on January 6, 2013. No exception was noted.

We obtained the list of the board of directors at June 30, 2013 as well as management’s documentation to evidence that for at least two of the directors, the elements for independence as described in 6.5(a) and (b) were met. Management provided us resumes for two of the directors that were obtained either from the Web site of the company which the director was employed by or their resume from the LinkedIn Web site. Both documents were dated during the performance of our procedures. We were unable to ascertain that this documentation addressed each of the elements for independence as described in 6.5(a) and (b).

Procedure 3

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

Result

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

Procedure 4

Obtain a listing of meetings of the Board and any existing Board committees. Inspect the minutes to determine if all Board actions are documented by motion, second and a vote, as well as those directors in attendance and voting at each meeting, and that a quorum was present when votes were taken. Also, verify the board adopted and/or approved the Franchise and Transfer Agreement, Operations Services Agreement, and Master Trust Indenture.

Result

No exception was noted.

Procedure 5

Obtain the formal investment policy adopted by the board of directors for both JOBS and JobsOhio for the fiscal period ended June 30, 2013. Obtain a listing of investments as of June 30, 2013 and compare the type of investments with the policy. Report any investments that do not conform to the policies adopted by the board of directors.

Result

Neither JOBS nor JobsOhio held any investments at June 30, 2013. Therefore, no procedures were performed.

Procedure 6

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

Result

We inquired of JOBS' management and were informed that the JOBS-DLC Operations Services Agreement was not modified, supplemented, and/or amended at any time during fiscal year 2013. Therefore, no further procedures were performed.

Procedure 7

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

Result

We inquired of JOBS' management and were informed that the Expense Budget Principles did not change during fiscal year 2013. Therefore, no further procedures were performed.

Procedure 8

Confirm in writing from DLC whether the Expense Budget submitted by DLC, was accepted by JOBS. If rejected, determine if within 15 days of receipt of the proposed budget, JOBS provided DLC with written notice of its rejection of such Expense Budget including a detailed statement of items in dispute. If a Dispute Notice was not provided, verify that JOBS commenced payment of the Estimated Expense Payments provided for in such Expense Budget.

Result

We confirmed in writing with DLC that the Expense Budget submitted by DLC was accepted by JOBS. No exception was noted.

Procedure 9

If JOBS provided a timely Dispute Notice, determine if JOBS and DLC mutually accepted or modified the Expense budget as needed, within 30 days of the Dispute Notice. If JOBS and DLC did not reach a resolution to accept or modify the Expense Budget prior to the start of the upcoming Budget Period, then until an agreement was made, verify that JOBS paid DLC the amount of the Estimated Expense Payments in the Expense Budget for the prior Budget Period. Ensure the Estimated Expense Payment was multiplied by the sum of one plus the Inflation Multiple. (See Operations Service Agreement for further definition of Inflation Multiple Section 2.3(i)).

Result

This procedure is not applicable given the results of procedure 8.

Procedure 10

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

Result

No exception was noted. There were two required quarterly payments made in fiscal year 2013.

Procedure 11

At the end of the fiscal year, determine if JOBS made an over-payment or under-payment of actual ordinary operating expenses as calculated by DLC. If an overpayment has been made, verify the overpayment was credited as an adjustment amount against DLC's next quarterly Estimated Expense Payment. If an under-payment was made, verify JOBS paid such adjustment amount to DLC no later than 31 days after receipt of DLC's written notice and calculation of such under-payment as evidenced by the date on the disbursement utilized to pay such amount.

Result

We obtained the "JOBS Annual Reconciliation Report-All JobsOhio Funds" report dated September 27, 2013 which is compiled by DLC and provided to JOBS. This document indicated that JOBS made an over-payment for fiscal year 2013 in the amount of \$2,977,187. We obtained the Fee Budget for fiscal year 2014 dated June 7, 2013 which indicated that the first quarter fiscal year 2014 ordinary operating expense amount to be paid by JOBS was \$3,420,208. The payment of the first quarter fiscal year 2014 ordinary operating expense was made on October 1,

2014 in the amount of \$443,021 was calculated as \$3,420,208 less the \$2,977,187 credit. We obtained the check which paid this amount and agreed the amount and date noting no exception.

Procedure 12

Through a review of the DLC/JOBS Quarterly Cash Flow Report for 2013, determine whether JOBS management approved any Extraordinary Expense (as defined in Section 2.1 of the Operations Service Agreement) in an amount greater than 2% of the total Estimated Expenses for the fiscal year, individually or 4% of the total Estimated Expenses for the fiscal year in the aggregate. If not approved by JOBS, verify that JOBS provided DLC with written notice of its disapproval within 20 days of its receipt of DLC's request to make such Extraordinary Expense as evidenced by email correspondence from JOBS.

Result

We were informed by JOBS' management that a report entitled DLC/JOBS Quarterly Cash Flow Report does not exist. JOBS' management provided us with the "JOBS Annual Reconciliation Report-All JobsOhio Funds" report dated September 27, 2013 which is compiled by DLC and provided to JOBS. This report indicated that there were no Extraordinary Expenses incurred in fiscal year 2013. No further procedures were performed.

Procedure 13

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

Result

No exception was noted.

Procedure 14

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

Result

We inquired of JOBS' management and were informed that no Capital Expenditures occurred during fiscal year 2013. We also obtained the FY13 Commerce Fee & Reconciliation report dated 9/27/13 which is provided to JOBS by DLC. No Capital Expenditures were identified in this report and all current year amounts disbursed were characterized as operating expenses. No further procedures were performed.

Procedure 15

Inspect bank statements and determine whether JOBS established and maintained a "Gross Receipts" bank account (defined by JOBS as Revenue Fund) for the collection of all gross revenue and applicable taxes collected by the Liquor Business from the sale of Spirituous Liquor in the State. Select a sample of 20 funds deposited and compare it to the description of the transaction on the bank's Web site. Select a sample of 20 disbursements from the Gross Receipts account and determine that they related only to the Liquor Business and were not comingled with funds from JOBS other operations or activities.

Result

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

JOBS' management informed us that the banks Web site does not allow for transactions to be reviewed more than twelve (12) months after the transaction's date. Therefore, we were unable to perform the portion of the procedure requesting us to compare the description of the funds deposited transactions per the bank statement to the description of each transaction per the bank statements Web site. As such, we were unable to review our selected funds deposited transactions.

We haphazardly selected a sample of 20 disbursements from the bank statements for the Gross Receipts account which totaled \$121,456,380. No exceptions were noted related to the procedures performed for the cash disbursements selections.

Procedure 16

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

Result

No exception was noted. We selected all ten tax payments made during fiscal year 2013 which totaled \$34,927,835.

Procedure 17

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

Result

We inquired of management and were informed that there was no proposed New Vendor Contract in fiscal year 2013. Therefore, no further procedures were performed.

Procedure 18

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

Result

We selected a sample of 20 transactions from the listing of Commission and Vendor Payment disbursements provided by management for the period February 1, 2013 to June 30, 2013. Total transactions were \$205,583,928. The 20 item sampled totaled \$1,003,244. No exception was noted.

Procedure 19

Inquire of management if JOBS provided (i) unaudited, interim Financial Statements no later than 30 days after their preparation and (ii) audited Financial Statements no later than 60 days after the end of the fiscal year to DLC.

Result

We inquired of JOBS' management and were informed that no unaudited interim financial statements were compiled and thus none were provided to DLC.

We were informed by JOBS' management that the requirement to provide audited financial statements no later than 60 days after the end of the fiscal year was amended to 90 days after the end of the fiscal year on February 1, 2013. We obtained the correspondence evidencing this change which was signed by JOBS and DLC representatives. We obtained the email correspondence from JOBS to DLC which submitted the audited financial statements for JOBS for the year ended June 30, 2013. This email correspondence was dated September 30, 2013 which is 92 days after the end of the fiscal year.

Procedure 20

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

Result

We obtained a listing of all tax payments, which numbered 10 in total and amounted to \$34,927,835. We selected all 10 tax payments to apply the above procedure. No exception was noted.

Procedure 21

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

Result

No exception was noted. We obtained the "Certificate of JobsOhio Beverage System Pursuant to Franchise and Transfer Agreement" (Closing Certification) which was executed on February 1, 2013 in connection with the issuance of the JOBS Revenue Bonds Series 2013. The Closing Certification certified that JobsOhio has performed and complied with all of its covenants under the Franchise and Transfer Agreement (FTA) dated January 4, 2013 in all material respects through the closing of the bonds to the extent that such covenants require performance prior to the closing. We also obtained the FTA which in section 3.5 specified the requirement for comprehensive general liability insurance with a minimum \$3 million combined single limit.

Procedure 22

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

Result

No exception was noted. We obtained the Closing Certification which was executed on February 1, 2013 in connection with the issuance of the JOBS Revenue Bonds Series 2013. The Closing Certification certified that JobsOhio has performed and complied with all of its covenants under the FTA dated January 4, 2013 in all material respects through the closing of the bonds to the extent that such covenants require performance prior to the closing.

We also obtained the FTA which in section 3.5 specified the requirement for special form policy of insurance (formerly known as all-risk insurance) referred to in the procedure.

Procedure 23

Determine if JOBS provided DLC with the FTA closing certifications referred to in the two previous procedures no later than the Effective Date of the Operations Services Agreement. Inquire of management if there were any cancellations, reductions, or restrictions of said coverage. If there were changes, determine if JOBS provided updated evidence of the coverage to DLC no less than 30 days prior to the expiration of each coverage period.

Result

We inquired of DLC, which confirmed that JOBS provided DLC with the FTA closing certifications on the effective date of the Operations Services Agreement. Additionally, DLC confirmed the effective date of the Operations Services Agreement was February 1, 2013. We inquired of JOBS' management who informed us that there were no cancellations, reductions, or restrictions in coverage during fiscal year 2013.

Procedure 24

Inquire of management if an initial Business Plan for the Liquor Business existed for the fiscal period ended June 30, 2013. If management answers the question affirmatively, request a copy of the plan to verify management's representation.

Result

We inquired of JOBS' management who informed us that an initial Business Plan for the Liquor Business existed for the fiscal period ended June 30, 2013. Management provided us with a copy of this plan which was entitled Spirits Innovation Plan "SIP". JOBS' management informed us this was a joint collaboration with DLC.

Procedure 25

Obtain from management a schedule of uses of bond proceeds. Obtain from JOBS management a reconciliation of the schedule of uses of bond proceeds to the amount of proceeds received by JOBS. Report any variances between the schedule and the amount of bond proceeds received. Examine the uses of the proceeds and through inquiry of JOBS management determine they were used for any one of the following: to finance the payment for consideration by JOBS in connection with the granting of an exclusive franchise to operate the Liquor Enterprise to JOBS and the transfer of certain assets of the Liquor Enterprise from DLC; provide initial working capital; and finance certain costs of transactions related to the franchise and the transfer of assets as set forth in Article 3 of the FTA. Report any uses of funds that were not used for these specific purposes.

Result

We obtained a schedule of uses of bond proceeds and the reconciliation of the schedule of the uses of the bond proceeds to the amount of proceeds received by JOBS. No variances were identified. The total of the bond proceeds was \$1,609,396,851.49. We inquired of management and were informed that all proceeds were used for one of the above specified purposes.

Amount of proceeds	Use of proceeds	KPMG procedure
\$891,308,755.73	Wire transfers to various banks for escrow requirements to pay various State of Ohio debt obligations	Agreed amount and purpose to bond closing memorandum
\$106,473,060.68	Wire transfer to JobsOhio Beverage System Series 2013 B Proceeds Fund representing (i) working capital holdback, (ii) economic development and working capital amount, (iii) costs of issuance amount, and (iv) taxable capitalized interest	Agreed amount and purpose to bond closing memorandum
\$495,000,000.00	Wire transfer to the State of Ohio representing the transfer payment to the State	Agreed amount and purpose to bond closing memorandum
\$100,000,000.00	Wire transfer to State of Ohio bank account for State to repay legacy obligations related to Clean Ohio Revitalization	Agreed amount and purpose to bond closing memorandum
\$241,738.27	Wire transfer to JobsOhio Beverage System Series 2013A Proceeds Fund	Agreed amount and purpose to bond closing memorandum
\$16,373,296.81	Payment of underwriter's discount directly from bond proceeds	Agreed amount and purpose to bond closing memorandum

Additionally, FTA sections 14.6 (c) through (e) provides that upon the redemption of certain State of Ohio obligations, any excess funds shall be distributed 50% to JOBS and 50% to the State of Ohio. As a result, JOBS subsequently received \$48,535,555.05 in cash receipts which we agreed to JOBS' bank account.

Procedure 26

To determine if there was any non-Liquor Enterprise business, activities, or operations after February 1, 2013, count the number of financial transactions between July 1, 2012 and September 31, 2012, (first quarter) for the account ending in 4993, JOBS legacy operating account. Count the number of financial transactions between April 1, 2013 and June 30, 2013, (fourth quarter) for the same account. Divide the number of transactions from the fourth quarter by the number of transactions from the first quarter. This results in a quotient. If the quotient is less than five percent, conclude that JOBS had ended its nonliquor enterprise activities. If the quotient is greater than five percent, but less than 25 percent, conclude that JOBS was winding down its nonliquor enterprise activities. If the quotient is greater than 25 percent, conclude that JOBS failed to end its nonliquor enterprise activities (Re: FTA Sections 8.10 and 14.3(g)). Report the quotient and the designated conclusion.

Result

We obtained the bank statements for the respective months indicated in the procedure and counted the number of transactions occurring during those months. The quotient obtained from the respective procedure was 9.33% and thus the designated conclusion as prescribed above is that JOBS was winding down its nonliquor enterprise activities.

Procedure 27

Obtain written representation from JOBS and JobsOhio that they did not in any material way violate, default under or fail to perform its obligations under any applicable legal requirements, the Indenture or agreements, instruments, documents and to be executed and delivered in connection with the consummation of the transactions contemplated by the FTA, as covenanted in Sections 15.2(b) and 15.3(b) of the FTA.

Result

No exception was noted. We obtained a written representation from JobsOhio management which positively stated that they did not in any material way violate, default under or fail to perform its obligations under any applicable legal requirements, the Indenture or agreements, instruments, documents and to be executed and delivered in connection with the consummation of the transactions contemplated by the FTA, as covenanted in Sections 15.2(b) and 15.3(b) of the FTA.

Procedure 28

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

Result

We inquired of JOBS’ management and were informed that there is a procedure in place to determine if “reportable events” have occurred. Management also informed us that no “reportable events” occurred during fiscal year 2013 which were required to be disclosed per Section 6 of the Continuing Disclosure Undertaking Agreement. No further procedures were performed based upon management’s response.

Procedure 29

Through inquiry with management and an inspection of bank statements, determine the following funds were established in accordance with the Operations Services Agreement, Section 3.1 and Schedule A-2.

- Revenue Fund – Accounts for the deposit of the Liquor Enterprise Revenues by JOBS and is maintained in custody of Trustee
- Tax Fund – Used to pay taxes on the Liquor Enterprise sales due to the State Department of Taxation and the General Revenue Fund of the State and is maintained by the Trustee
- Operations Fund – Used solely for the payment of Operating Expenses and is maintained by JOBS
- Debt Service Fund and Debt Service Reserve Fund – Used to pay principal and interest on the Bonds. Can be separated into Principal and Interest accounts and is maintained by the Trustee
- Subordinated Indebtedness Service Fund – Used for any service charges on any subordinated indebtedness and is maintained by the Trustee.

- Rebate Fund – Used for payment of any Rebate Amounts to the United States related to any tax-exempt bonds issued by JOBS and is maintained by the Related Debt Trustee.
- Deferred Payment Reserve Fund – Used to pay Deferred Payments to the State under the Transfer Agreement to the extent necessary and is maintained by the Trustee
- General Purpose Fund – Used for any lawful purpose of JOBS and is maintained by JOBS

Result

No exception was noted. We cited that bank accounts were set up with the corresponding titles and inquired of management of the purposes of such accounts.

Procedure 30

Obtain a listing of liquor enterprise revenues received by JOBS for fiscal year 2013. Select a sample of 20 liquor enterprise revenues and determine if they have been deposited into the Revenue Fund no later than the business day following their receipt.

Result

We obtained a listing of liquor enterprise revenues received by JOBS for fiscal year 2013 from management. The listing totaled \$372,033,109 which management indicated represents gross cash receipts (i.e., includes sales and sin taxes collected) during fiscal year 2013. We selected 20 items from this listing for testing and those items amounted to \$47,240,189. No exception was noted.

Procedure 31

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

Result

No exception was noted.