

**ANN ARBOR-YPSILANTI SMARTZONE LOCAL
DEVELOPMENT FINANCE AUTHORITY
WASHTENAW COUNTY, MICHIGAN**

**ATTESTATION OF THE ANN ARBOR SPARK
JOB CREATION REPORTING**

YEAR ENDED JUNE 30, 2021

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the LDFA Board
Ann Arbor-Ypsilanti SmartZone Local Development
Finance Authority
Ann Arbor, Michigan

We have performed the procedures enumerated below on assisting in the evaluation of job creation reporting by Ann Arbor SPARK to Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority (LDFA) for the year ended June 30, 2021. Ann Arbor SPARK's management is responsible for the job creation reporting requirements to the LDFA.

LDFA and Ann Arbor SPARK have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting in the evaluation of job creation reporting. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures are outlined in the Audit Scope and Procedures section of the Executive Summary and the associated results are detailed in the Audit Results section of the Executive Summary and in applicable sections of the following report.

We were engaged by Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on assisting in the evaluation of job creation reporting by Ann Arbor SPARK to LDFA. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Ann Arbor SPARK and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority and Ann Arbor SPARK and is not intended to be and should not be used by anyone other than those specified parties.

Maner Costerisan PC

February 28, 2022

Executive Summary

Background

Because of their expertise, interest in stimulating economic growth in the Ann Arbor/Ypsilanti area, and contacts available to them, Ann Arbor SPARK (SPARK) was contracted by the Ann Arbor/Ypsilanti SmartZone LDFA (LDFA) to provide entrepreneurial services to early-stage business owners. SPARK is a nonprofit corporation whose mission is to advance the economic development of innovation-based businesses in the Ann Arbor region by offering programs, resources, and proactive support to businesses at every stage, from start-ups to large organizations looking for expansion opportunities.

In the contract (the “contract”) dated July 1, 2020, SPARK agreed to disclose:

1. A census of the annual and cumulative number of jobs created within the Service Area (as defined) as of June 30, 2021 (with ‘jobs created’ defined as the incremental increase in the number of Full Time Equivalent employees (FTEs) beginning with the date a Business Accelerator proposal is signed, or a loan provided, or when a SPARK Central and SPARK East Incubator agreement is first executed, or when participation in a Boot Camp session occurs).
2. A census of the annual and cumulative number of jobs related to Business Accelerator, SPARK Central and East Incubators, and Boot Camp attendees that have left the Service Area because of relocation, merger, acquisition, or business failure as of June 30, 2021.
3. A census of the number and identity of current and past clients the Contractor (SPARK) deems no longer eligible for LDFA funded services as of June 30, 2021.
4. A census of the number and identity of clients for which information regarding job creation is no longer being collected as of June 30, 2021.

Additionally, “The Contractor shall track companies for a period of five years through an annual survey and make efforts to achieve as high a participation rate as possible. The survey will not only include questions that update standard economic development data but also ask companies who leave the area why.”

In its Final Program Progress Report, which was presented to the LDFA on July 22, 2021, SPARK appears to have reported substantially all of the information called for in the contract and we are aware that a survey was conducted but did not look into the content of the survey per the requirements above. Our procedures were focused on the job number creation as follows.

Executive Summary (continued)

Audit Scope and Procedures

In our professional services agreement dated August 17, 2021, the LDFA contracted with Maner Costerisan PC to:

1. Document method of collection and obtain support for annually reported job creation numbers. Perform the following with respect to this information:

Select a statistically relevant sample of companies reporting and independently confirm jobs created figures.

Provide commentary on best practices for collection of this information and any opportunities for improvement of SPARK's process.

To perform this task, we met with LDFA and Ann Arbor SPARK representatives to gain an understanding of the current contract. Our procedures included interviewing and observing SPARK's management and operational personnel to determine how the information is gathered and reported. The scope of our engagement also included direct confirmation of the information provided by SPARK with the companies they reported having served.

Our procedures consisted of inquiry, observation, and independent confirmation of job numbers with respect to the 2020-2021 contract with the LDFA. Our main contacts at SPARK for this project were:

Bill Mayer, Vice President, Entrepreneurial Services
Liz Perpich, Director of Administration and Finance
Nicholas Joblonski, Data Analyst, Entrepreneurial Services

We wish to thank Bill, Liz, and Nicholas for their assistance during the procedures that we carried out.

Audit Results

As a result of our auditing procedures, we determined that:

1. Overall, the job creation numbers reported by SPARK are compiled and reported through what appeared to be a reliable and consistent methodology, except for one instance regarding the definition of "Retained Full Time Employees" which is discussed later in the report.
2. Our confirmation procedures revealed some significant differences in the numbers reported by the companies and SPARK, which seems to point out some inherent issues with the self-reporting system that is in use. As a result, it appears that the job creation numbers should be regarded by users as an approximation and not necessarily an exact figure.
3. The job creation numbers maintained and reported by SPARK are the most accurate figures available on a "best efforts" basis. The data being captured changes rapidly.

Documentation of the system used, our confirmation procedures, and related commentary are detailed in the applicable sections of the following report.

Jobs Created Tracking and Reporting Methodology

SPARK reports job creation numbers through a self-reporting process using Salesforce Customer Relationship Management (CRM) software that works in two basic ways:

1. Manual updates as personal contact is made with companies
2. Annual survey

SalesForce CRM software is a browser based tool customized to SPARK's use. Salesforce is used to track all interactions with Business Accelerator (BA) and other companies and also to produce the reports used for monthly billings to the LDFA as well as quarterly and annual reporting.

Each company SPARK works with has an "Account" page in Salesforce. This Account page contains general information about each company including name, address (according to the Michigan Department of Licensing and Regulatory Affairs - LARA), phone number, website, etc. The Account page also includes a data field called "Current FTE Jobs" which is either updated manually based on personal contact of some kind or automatically from the survey. This "Current FTE Jobs" field is used to report the number of jobs as of any given time that the Account page is viewed, or a report is run.

Within each Account page in Salesforce, there is an area for "Opportunities". These are used to track the various tasks or activities taking place with each of the companies such as proposals (Business Accelerator grants), investment (grant), contract phases, loans, etc. Inside each Opportunity is a field called "Retained FTE Jobs". This number is a "snapshot" of Full Time Equivalent jobs (FTE's) that the company has at the time each specific activity begins, as denoted by the "Opportunity Start Date" field on the corresponding Opportunity page. When the "Retained FTE Jobs" field is viewed across Opportunities, a history of job numbers can be seen. This field is not updated once entered and is not linked to the previously described field "Current FTE Jobs".

The annual survey (which covers the previous fiscal year period July 1 through June 30 each year) was done using "Clicktools", which is a plug-in to Salesforce. This year, the survey went out on July 6, 2021 to 367 companies. The survey was sent out electronically (by email) and each question is linked back to (and updates on response) the company information in Salesforce. One of the questions is Current FTE Jobs. 216 companies (59%) responded to the survey.

Soon after the survey closed, which would have been in mid-August 2021, SPARK ran a report in Salesforce that compared "Retained FTE Jobs" to "Current FTE Jobs" and computed the difference between those two as "New Jobs", which totaled 405.5. This report was furnished to Maner Costerisan PC and was used in our confirmation procedures that are described in the next section of this report.

Jobs Created Tracking and Reporting Methodology (continued)

Observations Regarding Tracking and Reporting Methodology

- SPARK appears to be using a system that contains data points that are used consistently and produce reliable reports on demand.
- Per client management, the Retained FTE Jobs is a field which represents the lowest FTE figure reported to SPARK during the contract year ended June 30, 2021, and not necessarily the number of FTEs employed by any given company at the beginning of the year. Because this methodology does not necessarily result in reporting jobs created (i.e. if simply the lowest number of jobs reported during the year is used, some of the “jobs created” may just be replacements of previously existing jobs), we recommend that SPARK begin to track the number of FTEs that any given company employed at the beginning of the contract year (or, the date that a company commenced its relationship with SPARK, if that date came later).
- The Current FTE Jobs field is updated either manually or through the survey. This number is a “snapshot” as of the time that it is updated and does not represent any specific period of time. This number is current as of the time the annual reporting was done, which may or may not correspond to the end of the contract period June 30, 2021.

Confirmation Procedures and Results

Introduction

As stated above, Maner Costerisan PC selected a statistically relevant sample of companies to directly confirm the number of FTE jobs they had as of July 1, 2020 and June 30, 2021. The July 1, 2020 data point was selected as an approximate measure of the onset of entrepreneurial engagements and would not necessarily line up with “Retained FTE Jobs” as described above. It was thought that using the July 1, 2020 data point would provide some consistency in the reporting rather than asking companies to disclose the lowest number of FTEs that they reported to SPARK during the contract year. FTE jobs as of June 30, 2021 should line up with “Current FTE Jobs” as described above.

Sampling Methodology

SPARK submitted to Maner Costerisan PC a spreadsheet that listed all companies that had received entrepreneurial services, their Retained FTE Jobs, and the Current FTE Jobs. There was also a column on the spreadsheet that computed the difference between Retained FTE Jobs and Current FTE Jobs, New Jobs. The total New Jobs per this spreadsheet was 405.5, which corresponds to the number reported on the Final Program Progress Report, net of any FTEs associated with business closures.

We sorted the spreadsheet by New Jobs, in ascending order. We haphazardly selected ten companies with a relatively higher number of New Jobs. Confirmations were prepared by Maner Costerisan PC and signed by SPARK. The confirmations were mailed by Maner Costerisan PC asking companies to respond directly to us.

Confirmation Results

All ten confirmations were returned. The table below shows the detailed results of our confirmation procedures. This table contains only the companies that were selected for confirmation and all totals refer to the sample only.

Account	Retained FTE	Confirmed	Current FTE	Confirmed	New Jobs
	Jobs	Retained 7/1/2020	Jobs	Current 6/30/2021	
Client #12125	3	3	250	3	247
Client #11806	1	1	117	117	116
Client #6835	19	19	30	30	11
Client #11166	3	3	12	12	9
Client #11801	0	5	7	7	7
Client #4803	0	6	6	6	6
Client #11701	1	1	6	6	5
Client #4519	55.5	34	60	60	4.5
Client #8050	8	8	12	6	4
Client #8434	0.5	0.5	4.5	4.5	4
Totals	91	80.5	504.5	251.5	413.5
Difference (confirmed - reported)		-10.5		-253	

Confirmation Procedures and Results (continued)

Additional Procedures

In order to more fully understand the differences between the FTEs confirmed and what was reported, Maner Costerisan PC conducted an email interview with the one company that reported the only significant difference. Feedback obtained from this interview supports the observations below.

Observations Regarding Confirmation Results

- The difference between the July 1, 2020 Confirmed Retained FTE jobs and Retained FTE Jobs appears to be due to the following factors:
 - 11 due to SPARK reporting the lowest number of FTEs reported to them by the companies during the year and not necessarily the amount of existing FTEs as of the beginning of the contract year. This was previously discussed in the “Jobs Created Tracking and Reporting Methodology” section of this report.
 - 21.5 due to an error in self-response survey by Client #4519
- The difference between the June 30, 2021 Confirmed Current FTE Jobs and Current FTE Jobs appears to be due to the following factors:
 - 247 due to an error in self-response survey by Client #12125
 - 6 due to differences in definitions of what constitutes an FTE and whether this includes contractors/seasonal help or not.

However, the following factors were noted in the 2021 report and could still have had an impact of FTE reporting during the current year:

- A different person may have completed the confirmation vs. the survey.
- Timing of when the Current FTE Jobs was updated (either manually or in the survey) and June 30, 2021.
- Rapid changes in headcount of early-stage companies. Companies could have been potentially undergoing major changes at the time of the survey and audit which could have been reflected in the results.

Conclusion

SPARK does compile and report the job creation numbers based on a system that contains readily identifiable data points and repeatable, accurate calculations. However, based on the differences observed in our confirmation procedures and due to the factors considered above, it appears that the number of jobs created and reported is an approximation and should not be otherwise interpreted by users.