



4/13/2022

Ann Arbor SPARK Audit responses

Below are line by line responses to each of the auditor's comments. There was also a discrepancy in the jobs reports for client 4519, but as it resulted in a positive increase of the jobs created it was not addressed as an individual item by the auditors. It is included in the summary table.

Micro Loans - \$423,767 was reported as the outstanding micro loans balance at 6/30/21 in the annual report at A-08. The actual amount per the detail at ML-01 and reported in the quarterly report at ML-04 is \$422,108.55 for a difference of \$1,658.45. This was just a clerical error when populating the annual report.

As cited, this was a clerical error when populating the annual report (value in the annual report was from the 2020 annual report). SPARK will have someone other than the preparer review the report prior to finalization.

Business Accelerator Services - Noted \$20 difference between Business Accelerator Ann Arbor and what was billed.

The discrepancy was discovered to be a typo of the numbers in entering on the billing invoice. This was not discovered until audit results were shared and reviewed. It appears that an adjustment was not made during the 2020 – 2021 FY billings and will be included in the March 2022 billings. SPARK will have someone other than the preparer review the report prior to finalization.

Talent - Noted \$1,000 difference between Internship Support and Talent Recruitment expenses and what was billed.

The discrepancy was discovered to be a typo of the numbers in entering on the billing invoice. This was not discovered until audit results were shared and reviewed. It appears that an adjustment was not made during the 2020 – 2021 FY billings and will be included in the March 2022 billings. SPARK will have someone other than the preparer review the report prior to finalization.

Business Networking - Noted 4 of 5 events did not have the principal place of business for attendees listed

The language in the 2022 – 2023 LDFA contract has been updated to make it much easier to stay in compliance of the contract language.

Business Networking - Noted 4 of 5 events where the nature of the company's business was not documented.

The language in the 2022 – 2023 LDFA contract has been updated to make it much easier to stay in compliance of the contract language.

Business Networking - Noted 1 of 5 events tested had sign in sheets in which total participants did not tie to the summary below

This was a clerical error. We feel confident that we have a strong process and this error will be avoided going forward.



Business Accelerator Services - Budget for Business Accelerator services was exceeded by over 10%

Our contract allows for 25% of the line value to be moved into this budget item. The auditors missed this detail.

Job Creation - Beginning FTE reported for company 4803 was lower than actual causing an overstatement to New FTE's reported

Company 4803 was recorded as having 0 initial FTEs. Zero retained FTE value was due to a clerical error when processing contracts (value was mistakenly left blank resulting in the report populating as the value as 0).

Job Creation - Current FTE for company 12125 was overstated by 247.

Per the findings in the audit, the difference in FTE's for company 12125 were "due to an error in self-response survey" by the company. This error was a result of the Parent Company spinning out a new startup which was the actual company that was eligible for LDFA services. The two entities have very similar names, when coupled with the employee of company 12125 not understanding that we were specifically asking only for the numbers from the spinout is the root cause of the self-response error. The Entrepreneur Services Team Analyst did verify this number with the company but the incorrect number was again provided despite the ES Analyst's efforts to clarify the ask. During the review of the jobs created number for this company this number was flagged and based on the follow up the number was accepted as accurate. We acknowledge the gravity of this error and the implications of us not more aggressively verifying it. In the future we will not only be diligent to review and follow up on any irregular job creation numbers found in the survey, but we will also adopt the additional polices outlined at the end of this document.

Job Creation - Beginning FTE reported for company 11801 was lower than actual causing an overstatement to New FTE's reported

Company 11801 was recorded as having 0 FTEs. Zero retained FTE value was due to a clerical error when processing contracts (value was mistakenly left blank resulting in the report populating as the value as 0).

Job Creation - Current FTE for company 8050 was overstated by 6.

Similar to the issue with company 12125 - the difference in FTE's for company 8050 was due to an error in the self-response survey.

Indirect Services - Marketing expenses in March were double billed at \$203.29

Staff compared the marketing invoices paid in the general ledger against the LDFA invoiced amounts. There was a month where an invoice was charged twice, reflecting the fact one of the invoices was not charged in the prior month. Staff confirmed the LDFA was invoiced correctly for the full year by comparing vendor invoices with LDFA total invoices for the year.



This summary of the impact that the job creation changes have on the previously provided LDFA 2021-2022 Annual Report is represented below:

Company	Original Jobs Created	Corrected Jobs Created	Impact
4803	6	0	-6
12125	247	0	-247
11801	7	2	-5
8050	4	-2	-6
4519	4.5	26	+21.5

Please replace the numbers listed in the 2021-2022 Annual Report with these corrected numbers. The net effect of the numbers listed in the table above cause the following changes:

1. The impact of the changes listed in the table above is -242.5 jobs created.
2. The Jobs Created number in the original report was 405. The correct number of jobs created is 162.5

In order to improve our process for the creation of the Annual Report, specifically the Job Creation element, we will implement the following procedures:

1. We will adopt the methodology of measuring the Current Jobs at the beginning of the Contract year when we perform our Annual Client Survey, and then only compare the jobs numbers when we perform the Survey the following year. However, only about 60% - 70% of our clients respond to our Annual Survey. To address the 30% - 40% of companies that fall outside of the Survey process we will use the earliest number of Current Jobs we have for the given year.
2. The SVP of The SPARK Entrepreneur Services Team or another Senior Team member at SPARK will sign off on the Annual Report before it is presented to the LDFA to ensure that the jobs numbers have been reviewed by someone other than people directly working on creating the report.
3. We will add a disclosure statement to the Annual Report that advises the reader that gathering these metrics is a difficult endeavor and that the numbers should be considered a best effort approximation and not a absolute result.
4. Two thresholds will be established that, when exceeded, will cause additional scrutiny to be applied to verify the data:
 - i. In the Annual Report whenever a Jobs Created number exceeds 20, SPARK will contact the company directly to verify the number is correct. Furthermore, a senior member of the SPARK Entrepreneur Services Team who was not involved in the data collection will review any company that is reporting over this threshold, making direct contact with the company if warranted.
 - ii. In all reports provided to the LDFA whenever a Capital Raised amount exceeds \$1MM the SVP of the Entrepreneur Services Team will very the data is correct.