

ADDENDUM No. 1

RFP No. 17-24

SmartZone LDFA Contract Audit

Due: August 18, 2017 at 2:00 P.M. (local time)

The following changes, additions, and/or deletions shall be made to the Request for Proposal for SmartZone LDFA Audit RFP No. 17-24, on which proposals will be received on/or before the date and time listed above.

The information contained herein shall take precedence over the original documents and all previous addenda (if any), and is appended thereto. **This Addendum includes nineteen (19) pages.**

The Proposer is to acknowledge receipt of this Addendum No. 1, including all attachments in its Proposal by so indicating in the proposal that the addendum has been received. Proposals submitted without acknowledgement of receipt of this addendum may be considered non-conforming.

The following forms provided within the RFP Document must be included in submitted proposal:

- Attachment C - Non-Discrimination Declaration of Compliance
- Attachment D - Living Wage Declaration of Compliance
- Attachment E - Vendor Conflict of Interest Disclosure Form

Proposals that fail to provide these completed forms listed above upon proposal opening will be rejected as non-responsive and will not be considered for award.

I. QUESTIONS AND ANSWERS

The following Questions have been received by the City. Responses are being provided in accordance with the terms of the RFP. Respondents are directed to take note in its review of the documents of the following questions and City responses as they affect work or details in other areas not specifically referenced here.

Question 1: Please provide a copy of the report(s) issued for the previous contract audit.

Answer 1: See attached hereto.

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Question 2: Provide an estimate of the hours previously incurred to perform the services requested.

Answer 2:

Person	Hours
CPA #1	51.00
CPA #2	33.75
Non-CPA #1	41.50
Admin. Time	<u>5.00</u>
Billed Hours	131.25
Total Travel Time Billed	27.0
Total	<u><u>158.3</u></u>

Question 3: Can you provide what the prior contract audit fee level was and if there are any anticipated changes in the scope of the work to be performed?

Answer 3: Prior fee was \$20,000 (capped). No changes to scope.

Question 4: Please indicate the approximate timing of the work to be performed, the number of days of work anticipated and the number of auditors per day.

Answer 4: Timing is anticipated to start in September. A report is anticipated within 6-8 weeks; however, timing is flexible.

Question 5: Are any problem areas anticipated for the current year contract audit?

Answer 5: There are no known or anticipated problems.

Offerors are responsible for any conclusions that they may draw from the information contained in the Addendum.

**Ann Arbor-Ypsilanti SmartZone
Local Development Finance Authority**

Washtenaw County, Michigan

**AUDIT OF THE ANN ARBOR SPARK
ENTREPRENEURIAL SERVICES CONTRACT**

Year Ended June 30, 2014

Ann Arbor/Ypsilanti SmartZone
Local Development Finance Authority

Audit of the Ann Arbor SPARK Entrepreneurial Services Contract

Year Ended June 30, 2014

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority (LDFA), solely to assist them in evaluating compliance with the contract between the LDFA and Ann Arbor SPARK. Ann Arbor SPARK's management is responsible for compliance with those requirements. 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 accounting personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement also included testing certain aspects of the operating effectiveness of such controls.

Our engagement was not designed to express an opinion on Ann Arbor SPARK's internal controls or financial statements and we do not express such an opinion. As you know, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. However, we believe that Ann Arbor SPARK, in all material respects, complied with the contract during the period under audit. Projections of any evaluation of the current accounting system and controls are subject to the risk that the procedures may become inadequate because of changed conditions. Our observations and recommendations are provided throughout this report.

This report is intended solely for the use of management and the LDFA Board of the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority and is not intended to be and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our engagement. We are available to discuss any or all of these recommendations with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 6, 2014

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 June 18, 2013, SPARK agreed to provide services for the period of July 1, 2013 through June 30, 2014 in the areas of:

- Business Accelerator Services
- Micro-Loan Fund
- Entrepreneur’s Boot Camp
- Business Networking Events
- Entrepreneur Education
- Talent
- Business Incubator
- Indirect Services

Contracts for similar services have existed each year since the 2006-07 fiscal year, but those are not considered in this report.

We were previously retained to offer our recommendations regarding SPARK’s processes and procedures as they related to the contract for the 2007-08 fiscal year, the six months ended December 31, 2008, and the six months ended December 31, 2011. Our reports dated September 16, 2008, June 26, 2009, and April 2, 2012 are on file with the LDFA.

Payments to SPARK are made based on monthly billings sent to the LDFA. SPARK is entitled to payment under the contract when consulting hours are expended, certain activities take place, certain deliverables are completed, or for other expense reimbursements. Each of these methods of earning the payments made to SPARK, along with the internal controls necessary to provide a proper audit trail, are detailed in the contract. The contract also specifies that all aspects of these services are subject to outside audit.

Audit Scope and Procedures

In our engagement letter dated July 16, 2014, the LDFA contracted with Abraham & Gaffney, P.C. to:

1. Meet with the LDFA and SPARK to obtain an understanding of the process and to obtain the input of all parties.
2. Provide an independent evaluation of SPARK's:
 - Adequacy of internal control procedures that cover all key elements of the contract;
 - Ability to keep adequate records and produce accurate, complete, and useful reports as they relate to fulfilling SPARK's contractual obligations to the LDFA;
 - Monitoring processes to ensure internal control procedures are effective;
 - Procedures to check for defects in billing/reporting requirements or instances of contract non-compliance, with documentation of appropriate and corrective action where necessary;
 - Regular review protocols for individual processes and the internal control system itself for effectiveness.
3. Report to the LDFA on the results of our procedures, the internal controls currently in place, and our recommendations for improvements.

Our procedures consisted of inquiry, observation, and testing of the internal controls SPARK has put into operation with respect to the 2013-2014 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
Lisa Bies, Accounting Manager

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

Audit Results

As a result of our auditing procedures, we determined that SPARK is generally in compliance with the requirements outlined in the contract with the LDFA. A few minor recommendations were noted during our audit procedures which are detailed in the applicable sections of the following report.

General Contract Controls

Introduction

The contract calls for certain general activities and controls that are necessary in order for the LDFA to make monthly payments and assess project progress and contractor compliance.

Contract requirements and internal controls needed

- SPARK must submit quarterly progress reports to the LDFA.
- Final program progress report due by August 31, 2014.
- Monthly invoices for work performed shall be submitted no sooner than five (5) and no more than fifteen (15) business days after each month end.
- SPARK was required to maintain insurance adequate and reasonable to support its services under the contract and to provide the LDFA a certificate of this insurance, naming the LDFA as an additional insured.

Audit results

SPARK prepared monthly billings and met with the LDFA board on a quarterly basis to discuss the contract. We also noted the following:

- SPARK submitted quarterly progress reports in accordance with the terms of the contract.
- Final program progress report was submitted on August 30, 2014.
- SPARK submitted all invoices no sooner than five (5) and no more than fifteen (15) business days after the end of each month.
- SPARK provided appropriate insurance certificates to the LDFA in a timely fashion.

Business Accelerator Services

Introduction

Business Accelerator Services (BAS) is a program under which SPARK provides consulting services to start-up companies for areas such as helping define their business model and formulating marketing plans. SPARK has employees who provide these services and they also contract with consultants who help provide these services. Services are billed based on “phases” of an engagement with an entrepreneurial entity. The billings for Phase II and Phase III are based on actual time expended consulting with specific entrepreneurial entities.

Contract agreement

The LDFA pays SPARK an annual direct staffing fee of \$400,000 made in 12 equal monthly installments. Phase II and III services are billed at actual costs. Phase II is expected to take less than 10 hours total with approximately 75% of Phase II activities being outsourced to contractors. Phase III is expected to be completely outsourced to contractors. Bills are submitted monthly to the LDFA for reimbursement with supporting documentation attached.

Contract requirements and internal controls needed

- Tracking information to ensure that services are provided only to eligible businesses. Direct expenditure of funds is limited to businesses within the city limits of Ann Arbor. If an early-stage business has no primary location, the requirement can be temporarily satisfied by the client business becoming a member (virtual or physical) of the SPARK business incubator.
- Signed statement of understanding from all clients that receive Phase II services. The letter must also include the following items:
 - Engagement is non-exclusive, SPARK is free to provide similar services to other clients and clients are free to obtain similar services from another provider at their own expense.
 - LDFA may audit any services provided to the client, any confidentiality agreements notwithstanding.
 - Client has been informed of SPARK’s conflict of interest policy.
 - If client moves out of the Service Area within one year of receiving Phase III services and support, client shall repay immediately the cost of those services.
- Time and billing records to support monthly billings to LDFA, including:
 - Accurate, complete, and contemporaneous record of services performed.
 - Identification of service recipient or business purpose and recipient’s business location.
 - Date and duration of services.
 - Individual performing services on behalf of SPARK.

Business Accelerator Services - continued

Current process

Consultant time is tracked in Salesforce and entered monthly into a spreadsheet called the "Billing Detail". This spreadsheet is used for billing the LDFA. The Billing Detail shows contractors and which clients they worked on during the month and converts these hours to dollars that are billed. The total dollar billing for each month is invoiced to the LDFA.

SPARK determines the place of business by requiring a business address. The address provided is subsequently verified by a SPARK employee who looks up the property either on the City of Ann Arbor's website or Washtenaw County's website to determine that the property is in fact within the City of Ann Arbor limits. If a company has no place of business then they are asked to join the business incubator. If a company is being operated out of a client's home then they are also asked to join the incubator. To establish incubator membership, clients are required to sign a "SPARK Central License Agreement."

Audit results

Based on our audit procedures, SPARK appears to have met the contractual requirements regarding the BAS program. We selected a sample of forty (40) time entries and noted that all entries met the above criteria. Each time entry selected contained a business that was within the City of Ann Arbor limits, when applicable. We were able to obtain a signed statement of understanding for all Phase II and Phase III (from Phase II) clients and that letter met all requirements as noted above. All records submitted to the LDFA for reimbursement appeared to contain accurate, complete, and contemporaneous record of services performed, identification of service recipients and the business purposes as well as the location of the business, date, and duration of services, and the individual performing the services.

Micro-Loan Fund

Introduction

SPARK is required under the contract to administer a micro-loan fund. This fund is to be used to make interest-bearing, non-recourse, subordinated loans to start-up and early stage growth companies to use for operations and other activities not provided under Business Accelerator Phase III engagement.

Contract agreement

SPARK may loan companies not capable of receiving a commercial bank loan anywhere between \$5,000 and \$50,000.

Contract requirements and internal controls needed

- SPARK is to provide the LDFA board on a quarterly basis a report that identifies all approved applicants, the amount requested, the amount approved, the number of jobs created and retained during the term of the loan, use of the loan proceeds, loan maturity date, and the aggregate amount of loans repaid and written off.
- SPARK shall maintain a loan approval committee which is to be comprised of experienced entrepreneurs, technology business leaders, investors, and one current LDFA board member.
- All micro-loan funds shall be maintained in a separate bank account and not comingled with other funds.

Current process

Loan applications are reviewed by the Vice President, who determines if a company is eligible, which is generally defined as companies with no revenue source. Once the company applying for a loan undergoes a background check, the loan application will be provided to the SPARK loan approval committee. That committee will ultimately determine if a loan is approved and detail the approved use of the loan proceeds. At closing of the loan, the terms are specifically laid out to the company seeking to obtain the loan. A repayment date is set and the company acknowledges interest will be accrued on the loan. Payments are received by SPARK and are maintained in separate bank accounts for the Micro-Loan Fund. The separate bank accounts are reconciled on a monthly basis and are provided to the LDFA board. Quarterly reports are also prepared and provided to the LDFA board.

Micro-Loan Fund - continued

Audit results

Based on our procedures, SPARK appeared to comply with the contractual requirements for the Micro-Loan Fund. For the year ended June 30, 2014, SPARK provided reports for the quarters ending September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 to the board in a timely manner as required under the contract. The reports provided to the board contained all required information. We noted that SPARK was maintaining separate bank accounts for the Micro-Loan Fund and that the current loans provided to businesses ranged between the \$5,000 and \$50,000 requirement. We selected a sample of loans to confirm the balance outstanding as well as use of the loan proceeds, noting no exceptions with the confirmations. We also inquired and were provided a listing of loan approval committee members and noted that the make up of the committee mirrored the contract requirements.

Entrepreneur's Boot Camp

Introduction

SPARK hosts two Entrepreneurs Boot Camps (EBC) each year. The EBC is a two day program during which Entrepreneurs receive training on how to start and run a business. During the EBC, attendees listen to lectures from successful entrepreneurs and college professors and are given an opportunity to practice some of the new skills they have learned during those lectures and discussions.

Contract agreement

The LDFA pays SPARK \$12,500 prior to each qualifying EBC and a maximum of two EBCs during the contract year. The LDFA also pays an additional \$1,000 for each Boot Camp attendee having their principal place of business within the service area, up to \$12,500 per EBC. SPARK provides a tuition discount of not less than 10% to attendees having their principal place of business within the service area. There is a \$50,000 limit on amounts paid under this section for the contract year.

Contract requirements and internal controls needed

- The \$12,500 payment from the LDFA may not be received by SPARK more than 30 days before the EBC occurs.
- SPARK must have between 10 and 15 firms attend each of the EBC's in order for them to be eligible to bill the LDFA.
- SPARK shall maintain records identifying attendees, the location of their principal offices, and the nature of their businesses.

Current process

The date of the EBC is scheduled five months in advance. This allows SPARK to determine which month to bill the \$12,500 to the LDFA. SPARK verifies that the principal place of business is within the service area when determining which attendees are eligible for the additional \$1,000 provided by the LDFA. SPARK ensures that at least \$12,500 of tuition is collected from eligible companies before billing the LDFA for the additional \$1,000 per eligible attendee. In some cases SPARK offers some firms a "scholarship", so they pay less (or no) tuition. In these cases, SPARK bills the LDFA only the amount actually received from the firm for tuition.

Audit results

Based on our procedures, SPARK appeared to comply with the requirements established within the Entrepreneurs Boot Camp portion of the contract, with one exception. SPARK has complied with the contract maximum fees and has not exceeded these amounts. SPARK has maintained a recording of attendees, tracking the identification of attendees, location of principal office, and nature of the business. One exception was noted, an attendee of the spring Boot Camp with a principal business location within the service area did not receive the required tuition discount.

Business Networking Events

Introduction

Business Networking Events are events that are hosted by SPARK, or sponsored by SPARK but hosted by other area entrepreneurial support organizations (e.g., Ann Arbor Area Chamber of Commerce, MI-SBTDC, and GLEQ) that service current and potential Business Accelerator clients. These events are similar to seminars for entrepreneurs and investors, and there is a speaker at each one who gives a presentation to the attendees.

Contract agreement

SPARK may bill the LDFA for events held within the City of Ann Arbor, subject to annual maximums of \$40,000 for hosted events and sponsored/partnered events.

Contract requirements and internal controls needed

- SPARK is to maintain records on a “best efforts” basis of who attends these events, where the attendees’ businesses are located, the company name, what is the nature of the attendees’ businesses, and whether or not the attendee is an entrepreneur.
- SPARK bills for business networking events based on reimbursement of actual expenses. SPARK is required to maintain certified invoices with supporting detail to backup these billings.

Current process

Normally there is no charge to attend business networking events. Attendees are asked to register for these events online through the SPARK website, but sometimes walk-ins are allowed to attend. Online registration consists of a standard form, which includes a place for attendees to identify whether they are an entrepreneur or not, where their place of business is, and the nature of their business. Attendees are asked to sign in when they arrive at the event. SPARK usually hosts more of these events than they claim reimbursement for. Reimbursement is not claimed for all of these events because some of them are not located within the City of Ann Arbor, and in some calendar quarters more events take place than is allowable under the LDFA contract.

Audit results

Based on our procedures, SPARK appeared to comply with the contractual requirements in this area. For the year ended June 30, 2014, SPARK billed the LDFA a total of \$38,892 for hosted events and sponsored/partnered events. We found SPARK’s efforts to document attendees at the events to be reasonable and consistent with the “best efforts” basis specified in the contract. We sampled invoices claimed for reimbursement of various events, finding no exceptions or invoices that appeared to be unreasonable or unrelated to the applicable event.

Entrepreneur Education

Introduction

Entrepreneur Education consists of various classes hosted by SPARK that are either in person or online and include a variety of topics such as sales training, transitioning industries, human resource development and team building, and strategic planning. Entrepreneur Education operates similar to Business Networking Events except that the Entrepreneur Education events are generally by registration/ invitation only and not open to walk-ins.

Contract agreement

SPARK shall submit on a monthly basis reimbursement for development and delivery of entrepreneurial classes. Annual expenses submitted to the LDFA should not exceed \$50,000.

Contract requirements and internal controls needed

- For entrepreneurial classes SPARK shall maintain records of expenses incurred and supporting documentation, including any course material provided to participants.
- For development classes, SPARK shall maintain records of attendees which include location of principal office and the nature of the attendee's business.

Current Process

Attendees are asked to register for Entrepreneur Education online through SPARK's website. Attendees then sign-in upon arrival to verify their attendance. Revenues and expenses are tabulated for each event, then the Vice President determines which events are eligible for reimbursement. The Accounting Manager compiles information on eligible events from the financial accounting software and submits the billings to the LDFA.

Audit results

Based on our procedures, SPARK appeared to comply with the requirements established within the Entrepreneur Education portion of the contract, with one exception. We selected a sample of entrepreneurial classes and noted that SPARK had maintained a listing of expenses along with adequate supporting documentation as well as kept relevant course materials provided to participants. We also sampled development classes and noted that records which included the attendees' business and location of principal office had been maintained. SPARK failed to document the nature of the business for participants attending the Entrepreneur Education classes. This was noted in 10 of 10 sampled selections. Expenses billed to the LDFA for the twelve (12) month period ended June 30, 2014 totaled \$33,115. Maximum billing amounts were not exceeded.

Talent

Introduction

The contract calls for SPARK to create programs that are designed to attract local talent, including and especially university graduates, and encourage them to build a career in Ann Arbor. The Talent program consists of three (3) different areas: Internship program, Entrepreneur-in-residence (EIR) program, and C-level talent program. The Internship and EIR programs are intended to expose people to the benefits, resources, and quality of place that exist in Ann Arbor. The C-level talent program is intended to engage experienced talent from other geographic locations looking to relocate in Ann Arbor or experienced individuals transitioning out of a company who are willing to work with SPARK client companies in Ann Arbor until they find a new company to be involved with full time.

Contract agreement

SPARK shall submit actual expenses on a monthly basis with the annual expense not to exceed a gross amount of \$100,000. SPARK shall create a new program to develop and retain C-level talent.

Contract requirements and internal controls needed

- Companies engaged in the Internship and EIR programs shall be in the Service Area.
- SPARK shall provide in the written quarterly summary a description of the program(s), companies participating, number of employees engaged in the program, and type of work or experience the talent received.

Current Process

SPARK verifies that the companies engaged in the Internship and EIR programs are within the Service Area before approving their participation. These companies submit invoices or requests for reimbursement to SPARK on a regular period basis in accordance with their respective agreements. The Accounting Manager compiles these invoices from the financial accounting software and submits the billings to the LDFA. Quarterly reports are prepared and provided to the LDFA board.

Audit results

Based on our procedures, SPARK appeared to comply with the requirements established within the Talent portion of the contract. For the year ended June 30, 2014, SPARK provided reports for the quarters ending September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 to the board in a timely manner as required under the contract. SPARK maintains records of the companies engaged in the Internship and EIR programs to ensure that they are located within the Service Area. Annual expenses exceeded the \$100,000 amount, but there were budget amounts remaining from other portions of the agreement that were reallocated to cover the excess. This is allowed by the contract.

Business Incubator

Introduction

The Business Incubator is a program that provides office space and other services to companies that are just starting out for a reduced rate compared to the market average. The SPARK Business Incubator is located at 330 East Liberty Street in Ann Arbor.

Contract agreement

SPARK submits monthly invoices for reimbursement of expenses related to operating the Business Incubator. The annual maximum for fees reimbursed by the LDFA for the Business Incubator is \$170,000, which may be increased by up to an additional \$180,000 upon approval of the LDFA based on an agreed Central Business Incubator expansion plan. Expenses which are eligible for reimbursement include lease subsidy, administrative support, utilities and taxes, operating expenses, information technology, insurance, and shared equipment purchases.

Contract requirements and internal controls needed

- Amounts submitted for reimbursement are not to exceed the actual amount expended by SPARK and are subject to the submission of an approved operating plan.
- Each invoice from SPARK to the LDFA must include line item accounting for each of the elements being reimbursed.
- SPARK must maintain copies of all paid invoices and supporting documentation for all elements of the Business Incubator billings and agrees that these records are subject to independent audit and verification.

Current process

Monthly invoices sent to the LDFA by SPARK contain the line items to be reimbursed. A spreadsheet is maintained by the Accounting Manager to verify each monthly bill does not exceed the maximum allowed. All invoices from vendors are maintained by the Accounting Manager, a separate class in the computer system is used to maintain incubator services. This separate class allows the Accounting Manager to separate the bills for the rest of SPARK and isolate the bills related to the Business Incubator so they can be submitted for reimbursement.

Audit results

Based on our procedures, SPARK appeared to comply with the requirements established within the Business Incubator portion of the contract. We selected a sample of SPARK's monthly invoices submitted to the LDFA for reimbursement and obtained support for the line items billed. We noted that the items billed and selected agreed to supporting documentation without exception. Expenses billed to the LDFA for the twelve (12) month period ended June 30, 2014, totaled \$190,113. The LDFA approved a Central Business Incubator expansion plan. Therefore the maximum billing amount was not exceeded.

Indirect Services

Introduction

SPARK provides indirect services under the contract in the areas of Accounting and Marketing services, and Licensed Software. The Marketing services are provided under a Marketing Services Plan approved by the LDFA board which addresses public relations, collateral materials, and internet initiatives that support, compliment, or advance LDFA funded programs or objectives. Licensed software provides reimbursement for products or services that allow for improved data collection or metric reporting, and/or offer clients improved productivity tools.

Contract agreement

Accounting services are billed a flat amount each month with an annual total of \$67,000. Marketing services are billed monthly based on reimbursement of actual expenses and is subject to a maximum of \$75,000 for the contract year. Licensed software is billed monthly for actual costs and is not to exceed an annual gross amount of \$20,000.

Contract requirements and internal controls needed

- No special controls are required for the Accounting services billings.
- For the Marketing services, SPARK is required to maintain copies of all paid invoices and supporting documentation. The contract also specifies these records are subject to independent audit and verification.
- For the Licensed Software, SPARK is required to report the program or service acquired in the next following quarterly report including the type and purpose. Additionally, a summary of usage shall be included in the Final Program Progress Report.

Current process

Monthly invoices sent to the LDFA by SPARK contain the line items to be reimbursed. As vendor invoices are paid, a separate class in the computer system is used to track Marketing services. This separate class allows the Accounting Manager to isolate the bills related to the Marketing services so they can be submitted for reimbursement.

Audit results

Based on our procedures, we have determined that SPARK appeared to comply with the requirements established within the Indirect Services portion of the contract, with one exception related to Licensed Software. We obtained a detail of all charges to the LDFA for the audit period and agreed these charges to the monthly invoices for Marketing services without exception. We sampled the expenses claimed for reimbursement, noting that all were properly supported by applicable paid invoices and supporting documentation. We also noted that all items were reasonable and appeared to be consistent with the objectives of the contract. Marketing services totaled \$72,127 for the twelve (12) month period ended June 30, 2014. Accounting services were billed monthly in accordance with the contract amount. Accounting services totaled \$67,000 for the twelve (12) month period ended June 30, 2014. It was noted that the quarterly reports do not address Licensed Software as specified in the service agreement. Licensed Software billings totaled \$15,000 for the twelve (12) month period ended June 30, 2014. Annual maximums were not exceeded.