

AccuPay APS™, L.L.C.
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2014

A-align®

**REPORT ON MANAGEMENT'S DESCRIPTION OF ACCUPAY APS™, L.L.C.'S
SYSTEM AND THE SUITABILITY OF THE DESIGN OF CONTROLS**

**Pursuant to Statement on Standards for Attestation Engagements No. 16
(SSAE 16) Type 1**

June 30, 2014

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SECTION 1
INDEPENDENT SERVICE AUDITOR'S REPORT



**INDEPENDENT SERVICE AUDITOR'S REPORT
ON A DESCRIPTION OF ACCUPAY APS, L.L.C.'S SYSTEM
AND THE SUITABILITY OF THE DESIGN OF CONTROLS**

To AccuPay APS TM, L.L.C.:

We have examined AccuPay APS TM, L.L.C.'s ('AccuPay' or 'the Company') description of its Payroll Processing Services system at its Jefferson, Missouri location for processing user entities' transactions as of June 30, 2014, and the suitability of the design of controls to achieve the related control objectives stated in the description. The description indicates that certain complementary user entity controls must be suitably designed and implemented at user entities for related controls at AccuPay to be considered suitably designed to achieve the related control objectives. We have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

AccuPay uses NetTek, Inc. ("subservice organization") for server infrastructure and management services. The description within Section 3 includes only the controls and related control objectives of AccuPay and excludes the control objectives and related controls of the subservice organization. Our examination did not extend to controls of the subservice organization.

In Section 2 of this report, AccuPay has provided an assertion about the fairness of the presentation of the description and suitability of the design of the controls to achieve the related control objectives stated in the description. AccuPay is responsible for preparing the description and for its assertion, including the completeness, accuracy, and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance, in all material respects, about whether the description is fairly presented and the controls were suitably designed to achieve the related control objectives stated in the description as of June 30, 2014.

An examination of a description of a service organization's system and the suitability of the design of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description of the system and the suitability of the design of the controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed to achieve the related control objectives stated in the description. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in Section 2.

We did not perform any procedures regarding the operating effectiveness of the controls stated in the description and, accordingly, do not express an opinion thereon.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. The projection to the future of any evaluation of the fairness of the presentation of the description, or any conclusions about the suitability of the design of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective or fail.

In our opinion, in all material respects, based on the criteria described in AccuPay's assertions,

- a. the description fairly presents the Payroll Processing Services system that was designed and implemented as of June 30, 2014, and
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of June 30, 2014 and user entities applied the complementary user entity controls contemplated in the design of AccuPay's controls as of June 30, 2014.

This report is intended solely for the information and use of AccuPay, user entities of AccuPay's Payroll Processing Services as of June 30, 2014, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when obtaining an understanding of user entities information and communication systems relevant to financial reporting. This report is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "A-LIGN CPAs". The letters are written in a cursive, slightly stylized font.

August 8, 2014
Tampa, Florida

SECTION 2
ACCUPAY APS™ L.L.C.'S ASSERTION

AccuPay APS™, L.L.C.'s Assertion

August 8, 2014

We have prepared the description of AccuPay APS, L.L.C.'s Payroll Processing Services system for user entities of the system as of June 30, 2014, and their user auditors who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when obtaining an understanding of user entities' information and communication systems relevant to financial reporting. We confirm, to the best of our knowledge and belief, that:

- a. The description fairly presents the Payroll Processing Services system made available to user entities of the system as of June 30, 2014 for processing their transactions. The criteria we used in making this assertion were that the description:
 - i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including:
 - (1) The types of services provided including, as appropriate, the classes of transactions processed.
 - (2) The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to reports and other information prepared for user entities.
 - (3) The related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
 - (4) How the system captures significant events and conditions, other than transactions.
 - (5) The process used to prepare reports and other information for user entities.
 - (6) The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of the service organization's controls.
 - (7) Other aspects of our control environment, risk assessment process, information and communication systems (including related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.
 - ii. does not omit or distort information relevant to the scope of the Payroll Processing Services system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and the independent auditors of those user entities, and may not, therefore, include every aspect of the Payroll Processing Services system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- b. The controls related to the control objectives stated in the description were suitably designed as of June 30, 2014 to achieve those control objectives. The criteria we used in making this assertion were that:

- i the risks that threaten the achievement of the control objectives stated in the description have been identified by the service organization.
- ii the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.



Gary M. Hollingsworth, CPA
President and Chief Executive Officer
AccuPay APS™, L.L.C.

SECTION 3
DESCRIPTION OF THE SYSTEM
PROVIDED BY THE SERVICE ORGANIZATION

OVERVIEW OF OPERATIONS

Company Background

AccuPay APS™ was formed in 1992 to provide outsourced payroll processing services. AccuPay APS™ is located in Jefferson City, MO, with another location in Chesterfield, MO. AccuPay APS serves approximately 800 clients and pays over 22,100 client employees each month. AccuPay APS™ is organized as a Limited Liability Company and has 2. members. Collectively, the members have approximately 100 years of Payroll and Accounting experience.

Description of Services Provided

AccuPay APS™ licenses the Execupay payroll processing software developed by Execupay. Execupay has been providing payroll software for more than 20 years and has a very strong reputation in the industry for the strength of their product. Execupay is built upon a Microsoft SQL Server database that is a database industry leader for dependability, integrity and security. This makes it compatible with most all PC and server operating system platforms.

AccuPay APS™ provides its clients with various service level options in order to fit its client's needs. The client can pick and choose each additional service, which results in numerous combinations of service levels.

The following table outlines the service levels and the functions provided by AccuPay APS.

Services	Payroll	Tax Reporting	Trust Account
Payroll processing	X		
Tax Notification Only	X	X	
Tax Impound, Tax Payments, Filing, and Reporting	X	X	
401K File Submission	X		
General Ledger Files	X		
Client's account drafted for payroll checks. Checks drawn on AccuPay APS' Net Pay account	X		X

New Client Setup

The Conversion Team is comprised of multiple departments including Sales, Operations and Accounting. The Conversion Team exists to ensure: 1) that the transition of payroll services is smooth, efficient, and error free, 2) all year to date wages are reconciled with both tax returns and tax payments, 3) the balancing and payment of tax liabilities is properly reconciled and communicated to the client, and 4) responsibility is established for the filing of all payroll tax returns and communicated to the client. Procedures and checklists are followed to ensure the conversion of new clients is complete and accurate. They work with the client to ensure that all the information is received timely and is accurate and complete. They also work with the Payroll Specialists to train them on the specifics of the client.

The Conversion Team follows specific procedures to ensure that all the client data is complete when received. A New Client Information Sheet is completed by the sales/marketing department in conjunction with the client to document all earnings and deduction taxability, tax agencies, filing frequencies, tax rates and any other special needs the client may have.

The New Client Checklist form is used to systematically ensure that the client has all the necessary parameters and information in place to properly process their payroll. Standard procedures, which include a second person review, are in place to review the accuracy of the imported data and balance key amounts, such as wages and tax amounts to the information provided by the client. The Accounting Department performs a second person review of the tax services provided by AccuPay APS™ and each taxing authority's filing frequency, account numbers, power of attorney (POA) and electronic funds transfer (EFT) status. All year to date payroll information must be balanced successfully prior to any payrolls being processed.

When all reviews are completed and the client has selected the method of self-entry, the client is setup on PlatinumPay remote entry. Once PlatinumPay setup is completed and it is tested by Conversion Team member then training of the Platinum Pay software is scheduled with client by Conversion Team member.

New clients are provided employee information for their review and approval. Items including employee demographics, social security numbers, direct deposit information, recurring deductions and so forth. Company information such as processing calendars, taxing authority information, and other items are also included. This provides the client with assurance that the data has been entered as provided and they can also make note of items that may have recently changed.

Payroll Processing Overview

The core operations at AccuPay APS™ consist of a highly trained dedicated team of Payroll Specialists and a Management Team to assist clients from 8:00 a.m. to 4:30 p.m. Central Standard Time Monday through Thursday, Friday 8:00 a.m. to 3:00 p.m. The Payroll Specialists are responsible for supporting clients, which includes keying payroll data, assisting PlatinumPay clients, balancing and submitting payrolls for processing. They ensure that each and every payroll is processed according to schedule with the highest degree of accuracy and that the data is received from authorized sources.

The Payroll Specialists and Operations Manager ensure jobs are scheduled and processed in accordance with established procedures. Execupay has an automated payroll calendar module, the Today Screen. On the Today Screen, the Operations Manager and Payroll Specialists can view the payrolls scheduled for a given day or week. The Today Screen can also be filtered for individuals or all staff, therefore the Payroll Specialist can view the clients assigned only to them or any other Payroll Specialist. The Operations Manager can view all payrolls scheduled for the entire staff of Payroll Specialists. The Today Screen shows the open, unprocessed and in-progress payrolls for the specified date which allows the Operations Manager and Payroll Specialists to manage the clients' payroll submissions. Once the Payroll Specialist has approved the client's payroll for processing and submits the payroll to the Pack Up personnel, the client will drop off the payroll calendar on the Today Screen. In addition, there are two additional windows on the Today Screen besides the calendar; Open Tasks and Open Tickets. The Open Tasks is basically a to-do listing and is able to be filtered to an individual or the entire staff. The Open Tickets is the built in customer relationship management (CRM) module in Execupay. AccuPay APS™ utilizes both the Tasks and Tickets to manage the payroll processing, new client conversions, special client requests, unscheduled payroll runs, etc. Clients are provided calendars listing the payroll process dates and the payroll check dates for the upcoming year. These are provided each December for any current clients or with the first payroll package for clients starting after January 1.

For payroll processes that need to be performed for out of sequence events, such as bonus runs, adjustment payrolls to correct client or AccuPay APS™ errors, etc., review and approval procedures are required to be performed. The Payroll Specialist will create a Ticket, select the appropriate reason code for the unscheduled payroll and submit the Ticket for review and approval to the Operations Manager. Any bonus run where the individual employee check is over \$5,000, the Operations Manager must review and approve the Ticket prior to the Payroll Specialist submitting the payroll run to the processing queue. The Operations Manager generates and reviews a *Unscheduled Payroll Report* in Execupay several times a week to review for compliance with the review and approval process.

Procedures are in place to ensure the payroll information is conveyed by an authorized representative of the client company. Each day, the Payroll Specialists phone the clients on their daily schedules to remind the clients to submit their payroll if it is not received by the normal time. Clients submit their payroll data by one of four methods; 1) PlatinumPay (remote entry) 2) PlatinumXpress (remote entry),3) E-Mail, 4) Facsimile . This report only addresses the Fax and PlatinumPay clients.

Payroll Recording

Payroll Specialist's review the received data to ensure it is received from authorized sources. For fax input clients, the Payroll Specialist will review the previously provided AccuPay APS™ coversheet and input worksheets to verify the source of the information. If the client does not provide the coversheet, the Payroll Specialist will attempt to verify the submission in accordance with the processing schedule, and will contact the client if the Payroll Specialist questions the source or validity of the information provided. If a change in client contact occurs, client must provide approval of the new contact and, if needed, specify the security limitations or access for the new contact. This allows for the proper flow of information between the Payroll Specialist and client.

Payroll Specialists manually enter the payroll data received fax input clients. These clients are provided an Input Worksheet report with each payroll. The report contains the active employees, their rates and columns to record their hours for typical earnings and amounts for special deductions. The client records the payroll on the provided worksheets and sends to AccuPay APS™ for processing. The Payroll Specialists review the faxed pages received from the client for legibility and makes note of any questionable items. The client is contacted by the Payroll Specialist to resolve any of the noted items. After any issues are resolved, the payroll data is manually entered by the Payroll Specialist. After the input is complete, the Payroll Specialist compares the batch totals to the totals provided by the client on their cover sheet or worksheets. If the client does not provide control totals, the Payroll Specialist will calculate the totals for hours, earnings and deductions and compare to the batch totals provided by the software. All submitted data must agree with the entered data before the payroll can be processed.

Payroll Processing

The PlatinumPay method allows a client to enter payroll data into Execupay. The clients who use this method are responsible for all controls relating to the input, balancing, and submission of payroll data for processing. With the PlatinumPay method, the client logs into AccuPay APS™' DeskTops2Go using a unique user ID and an associated password. Then PlatinumPay clients log into the Execupay/PlatinumPay application using a separate unique user ID and password.

Once authenticated, the client is responsible for the input and accuracy of the payroll data in the payroll software. The client is encouraged to run a Pre-Processing Payroll Register Report to verify the payroll data prior to submitting the payroll to AccuPay APS™ for processing. The AccuPay APS™ staff generates a Balance Test report on the submitted PlatinumPay clients. The Balance Test Report enables the Payroll Specialist to review the balancing of certain taxes and wages, such as the 941, FICA, SUTA or FUTA before the payroll is finalized and printed. This feature built in to the Execupay software does not verify the validity or the accuracy of the payroll data; AccuPay APS™ only processes the data as it was entered by the client.

During payroll processing, the Execupay software calculates gross wages, taxable wages, employee and employer taxes, voluntary deductions and net pay. These calculations are based upon information provided by the client and their employee. Checks, direct deposit vouchers and reports are created during the payroll process.

The Operations Manager continuously monitors the payroll process for errors and will work to resolve the issue in a timely manner. All errors must be resolved to complete the processing. Processing errors are entered by Payroll Specialist as tickets in Execupay and are assigned as a task to either the Operations Manager or the Accounting Manager for research and correction in a timely manner. The tickets are discussed at each staff meeting and evaluated to determine what occurred and if it could be prevented for future training purposes.

Payroll Reporting

All reports, checks and direct deposit vouchers are printed in a dedicated Pack Up Room. Access is limited to authorized AccuPay APS™ personnel only. Pack Up personnel are responsible for the distribution of each payroll. Procedures have been established for the production and distribution of payroll checks and reports. These procedures ensure that the checks and reports are produced and distributed completely, accurately and in accordance with client specifications. At the beginning of each day, a custom Crystal Report from Execupay “Print Schedule” report is printed out and utilized throughout the day to track each client as they process their payroll. At the end of the day, a custom Crystal Report from Execupay called the “Payrolls by Print Time” report which shows all clients that have been processed during the day. The Pack Up personnel compare both reports during the end of day procedures to ensure all processed payrolls were packaged for delivery. If there is a conflict, the Pack Up personnel contact the assigned Payroll Specialist and Operation Manager for resolution.

Standard reports included in the payroll package include:

- Vouchers or checks
- Payroll Register
- Payroll Liability
- Cafeteria Register
- Payroll Unemployment Insurance
- Sick & Vacation Department Register Direct Deposit Register Deduction
- Leftover Check Report
- Missing New Hire Information
- Invoice

Checks and vouchers are printed on blank check stock that is specifically designed and printed with industry standard security protection. Some of the security features include an artificial watermark on the back of the check that can only be viewed at an angle to protect the document from scanner duplication and a micro-printed border that becomes distorted when duplicated.

Once the payroll has been processed, reports, checks and direct deposit vouchers are automatically printed. Execupay also automatically emails the payroll contact an encrypted PDF version of the payroll reports during the printing process. The Pack Up personnel verify the check count and prepare the package for delivery. The payroll is packaged according to the client’s instructions and prepared for client pick-up, mailing, shipping or delivery. A consistent set of instructions is used to inform the Pack Up personnel of the specific client needs, including sealing and delivery method. At the end of the day, the Pack Up personnel mails, ships or places payrolls in a secure location for pick-up or delivery on following day. All personnel have been cross trained in the functions of the Pack Up Room and can assist should the need arise due to the absence of the Pack up personnel on excessively busy days.

Tax Processing

AccuPay APS™ has a full service tax-filing department that generates agency approved federal, state and local tax returns and payments. Procedures are in place to provide reasonable assurance that the appropriate tax filings are complete, accurate and timely.

AccuPay APS™ licensed VeriFunds a reconciliation program from ECCA. VeriFund is designed to categorize, reconcile and analyze payroll, bank and Electronic Federal Tax Payment System (EFTPS) transactions. AccuPay APS™ uses VeriFund to reconcile all debits and credits in all bank accounts used in processing clients' payrolls. In addition, AccuPay APS™ uses VeriFund to monitor and verify that all tax liabilities are paid by EFT or check by importing bank account activity and Execupay transactions daily. AccuPay APS™ does not have access to modify the source code of VeriFund and relies on ECCA to support and update the application.

During the new client conversion process, client specific tax rates are entered into the Execupay payroll software for each client based on client provided information and are verified by the tax manager. Clients are required to provide unemployment tax rates during the conversion process and to provide any changes to those rates on an ongoing basis since taxing authorities notify clients, not AccuPay APS™, when rates change.

Each day the following reports are generated to manage the tax payment process:

- 100,000 Deposit Threshold – Execupay is setup to automatically generate an email to payday@accupayaps.net when a client liability reaches over the \$100,000 federal tax liability threshold.
- Federal withholding - Crystal report "Federal Deposits2" is run twice; once to check for any client reaching the next day filing requirement for any tax liability over \$100,000 and the second time to show any other federal 941 taxes due. These reports are compared and reconciled with the EFTPS Due Date Report from Execupay to verify accuracy and completeness.
- State withholding – "SWT by Deposit Date All-states" Crystal report is run and compared to the Execupay "Auto Tax Payments".
- Locals Setup on Company – Crystal report is run to check and make sure companies are setup with correct taxes for locals.

Payments for Federal, State and Local taxes are remitted electronically for most agencies supporting electronic funds transfer. AccuPay APS tax pay clients are setup as semi-weekly filers on federal deposits and state withholdings as monthly filers (unless client requirements are more frequent) to eliminate their chances of missing deposits. Each week the Accounting Manager generates the two Crystal Reports "Fed-Date range by PR# all Dep Freq Not Done" and "SWT-Date Range by State with Blank Sent Date" double checking federal or state withholding payments were made appropriately.

Tax Reporting

At month-end and quarter-end, the Operations Manager generates the Execupay "Balance Reports" which shows any clients that have unbalanced 941, FICA, FUTA and SUTA taxes; any variance is researched and resolved. Additionally, the Accounting Manager generates the VeriFund Tax Variance Reports for each client to review the tax liabilities, impounds and tax payments made and that the account is in balance. These reports are then sent to the client for their files. Quarterly and annual return processes are performed after data integrity testing and balancing is complete. Checklists are prepared by tax code and client and utilized to ensure that all monthly, quarterly and annual tax returns are filed, even if no payments were made.

AccuPay APS™ contracts the maintenance of the source code and tax tables in the Execupay payroll software to Execupay. In addition, AccuPay APS™ maintains a subscription with the American Payroll Association (APA) and Keep Up To Date on Payroll publications from Progressive Business Publications. The CEO and Operations Manager receives emails periodically regarding the latest tax changes and disseminates them to all employees.

Direct Deposit Processing

Automated Clearing House (ACH) files are created each afternoon. The ACH files collect and disperse billing, taxes, direct deposit and trust account funds resulting from the payroll processes. Formalized and documented procedures are followed for the creation, transmission and verification of the ACH files. AccuPay APS contracts with Enterprise Bank to perform the warehousing and transmission of ACH entries, subject to the National Automated Clearing House Association (NACHA) rules.

Clients sign an EFT Authorization Agreement to allow AccuPay APS to debit their designated bank account for the payroll transactions and payroll service fees. AccuPay APS has also designed a Direct Deposit Authorization form for the use of its clients' employees. The form gives authorization for the deposit of credit transactions to accounts listed on the form. It also gives permission to withdraw any credits mistakenly sent by debiting the same account. Clients are advised to retain copies of these forms in the employee's personnel file and fax or mail copies to AccuPay APS. Clients are trained to receive voided checks from the employee to verify the transit and account number of the account receiving the payroll funds. If the client is a PlatinumPay client, they are trained as to the proper setup of the direct deposit accounts.

The Accounting Manager generates the ACH file by using the Execupay Service Downloads and prints a detail transaction ACH Report. The Special Company Options report (shows amount of taxes, billing, DD, OBC per client) is generated when payrolls are printed, these are collected by the Pack Up personnel during the day and held for the Accounting Manager. The Special Company Options reports are used as a double check against the ACH file before the file(s) are uploaded through Enterprise Bank secured internet sites. Upon successful upload to the internet sites, a confirmation screen is displayed with control totals of the file, which is printed and compared to the ACH Transaction Summary Report by the Accounting Manager. The entire ACH package with reports and confirmation print outs are provided to the Operations Manager or the CEO for review and approval. The daily ACH transactions are entered on an Excel spreadsheet so activity can be tracked by week, month or year for annual revenue with the banks. Enterprise Bank warehouses and sends the National Automated Clearing House Association (NACHA) transmission to the appropriate banks on the clients' behalf.

Enterprise Bank also generates reports through email that provide notification of changes and returns, these emails are sent to the attention of the Accounting Manager and the CEO who reviews the reports as received. Pre-note direct deposit changes are emailed to the Accounting Manager for resolution with the client. The Accounting Manager contacts the client in any case of monies being returned. The returns may be caused by an employee closing an account and failing to notify the payroll contact and by invalid routing or account numbers. In the case of an NSF, the Operations Manager is alerted and the risk is evaluated. The client is notified immediately and arrangements are made. Steps are immediately taken by management to mitigate any potential loss to AccuPay APS™.

Funds Reconciliation

Procedures and checklists are used to ensure the tax impound and trust funds are properly accounted for and the bank accounts are reconciled daily using VeriFund. All payroll transaction funds are collected via Automated Clearing House (ACH). Separate withdrawals are sent to collect billing, OBC checks/direct deposit and tax funds from the client and transmitted into separate bank accounts. The CEO reviews the bank balances in each account on a daily basis and reviews the month-end bank reconciliations for accuracy and completeness.

For clients that choose to be a full service tax client, funds are impounded for taxes withheld and employer taxes collected each pay period and then are remitted as they become due. Tax impound funds are held in the tax account until due and is reconciled daily by the Accounting Manager. A separate bank account is setup to allow IRS to debit client taxes. Bank transactions are downloaded daily from the bank into VeriFund and automatically matched to the payroll transactions. An Items Not Matched report is printed showing any discrepancy and researched and manually cleared.

The Accounting Manager generates the following reports in VeriFund monthly to ensure all bank accounts are balanced and to identify any unusual transactions:

- Balancing Sheet
- Duplicate Checks
- Statement Reconciliation Report
- Outstanding Checks
- Other Uncleared Items

Another option for clients is the Positive Pay trust account services. Clients who utilize this service are debited for the full amount of net payroll and then the individual net payroll checks are drawn on AccuPay APS' Positive Pay trust account. Each day a file containing Payee, Amount, Serial Number, and Check date is uploaded. Each item that is presented on the account is validated by the bank with the daily files, and AccuPay APS is notified of any exceptions at which time can be Approved or Denied. The Positive Pay trust account is reconciled daily by the Accounting Manager using the same process as described for the tax account.

CONTROL ENVIRONMENT

Integrity and Ethical Values

The organization and management of AccuPay APS™ establishes a control environment within which the employees must function. It is a framework for all aspects of internal control. This control environment includes such items as integrity and ethics, conflict of interest and commitment to excellence.

Commitment to Competence

Competence should reflect the knowledge and skills required to accomplish tasks that define an individual's job. Through consideration of an entity's objectives and the strategies and plans for achievement of those objectives, management specifies the competence levels required for particular jobs and translates those levels into requisite knowledge and skills. AccuPay APS™' management has analyzed and defined the tasks and knowledge requirements that comprise the positions within the organization. They consider such factors to the extent to which individuals must exercise judgment and the extent of related supervision when making hiring decisions. AccuPay APS™' management communicates this to personnel through the interview process, the establishment of performance and development plans, and through periodic meetings with personnel.

Board of Directors Participation

The managing member is involved with the strategic direction of AccuPay APS™ and is responsible for oversight of the CEO and operating management.

Management's Philosophy and Operating Style

AccuPay APS™' management helps ensure that the company operates effectively and efficiently while remaining industry and client focused with special emphasis on Customer Service. By empowering staff with training and tools there has been minimal turnover in key operating functions. The CEO and operating management have frequent interaction in both formal and informal settings. AccuPay APS' management continuously emphasizes the importance of the payroll and tax processing function and its role in ensuring the reliability and confidentiality of client data.

Organizational Structure and Assignment of Authority and Responsibility

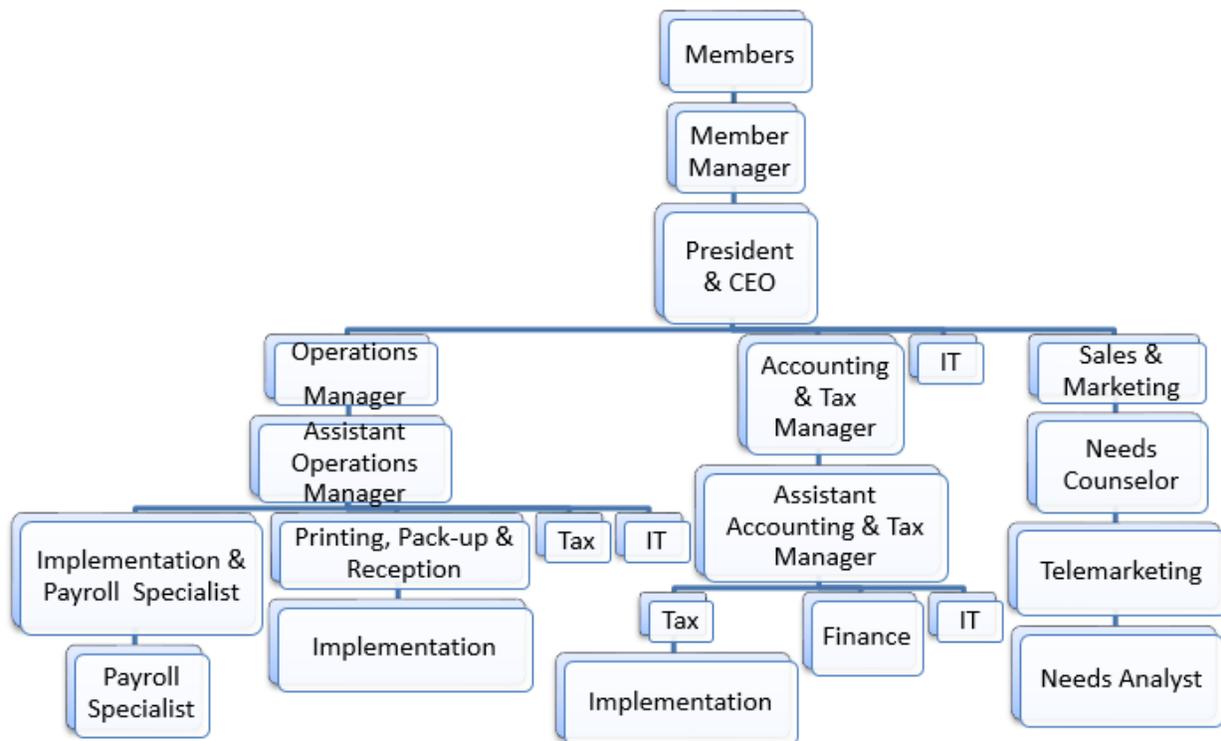
AccuPay APS™ consists of the following departments:

- Sales/Marketing Department – Responsible for new client sales, expanding services to current clients and the development of Marketing and Sales Materials.
- Operations Department – Responsible for new client setup, training, receiving and processing payroll information and client service.

- Accounting Department – Responsible submission and verification of ACH files, reconciliation of trust accounts, payment of taxes, submission of filings and review of new client tax information and reconciliation of prior tax liabilities/deposits.
- IT Department – Responsible for updating software and hardware, client installations, support for Terminal Server (PlatinumPay Clients) and programming reports and scripting.

The main operations are located in the Jefferson City office, with a small office in Chesterfield (St Louis County), MO. Printing, packaging, maintaining software and servers is all done within the Jefferson City office. Chesterfield office is for sales, processing telemarketing and St Louis delivery pickup. One Payroll Specialist work off site (Godfrey, IL), using DeskTops2Go to access software to perform their job responsibilities.

The CEO has the ultimate responsibility for all activities within the entity, including the internal control system. This also includes assignment of authority and responsibility for operating activities, and establishment of reporting relationships and authorization protocols.



An entity’s organizational structure provides the framework within which its activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. Significant aspects of establishing an effective organizational structure include defining key areas of authority and responsibility and establishing appropriate lines of reporting. The above organizational chart illustrates AccuPay APS™’ structure.

AccuPay APS™’ managers and staff have many years of payroll experience. Several have obtained the Certified Payroll Professional designation from the American Payroll Association. The management team is deeply involved in the daily operations of each department and work closely with each employee.

Each employee’s position has responsibilities outlined by published job descriptions that provide general functions and specific duties. Each employee is given written expectations of the position. It provides a basis for employee reviews and accountability.

Human Resources Policies and Practices

Performance evaluations are given annually in March or as often as needed. Efforts are made by the managers to observe and reward appropriate employee actions and give immediate correction where needed. These rewards and corrections are recorded and used during the employee evaluations.

AccuPay APS™ staff meetings are held periodically. Topics normally covered are adjustments (off period payrolls, vouchers, etc.) courtesy calls, suggestions, new clients, software changes, IRS pronouncements and other payroll related issues that affect the operation of the organization. At the end of the meeting, each employee is given the opportunity to discuss items they feel are important and are encouraged throughout the meeting. Each staff member is required to present at least one suggestion each month by email to the Operations Manager to qualify for the bonus plan. In-house eight hour training sessions are held quarterly to promote the development of the staff.

RISK ASSESSMENT

Internal controls are continuously evaluated and monitored by the Management Team. The Management Team monitors and reports on department functions and compliance with laws and regulations. The Management Team meets periodically to discuss the operations of the organization and various aspects of financial and technological risks.

CONTROL OBJECTIVE AND RELATED CONTROL ACTIVITIES

Company Level Management

Control Objective 1: Controls provide reasonable assurance that senior management provides planning and oversight of the organization's objectives.

Control Activities Specified by the Service Organization:

- 1.1 The organizational structure provides segregation of duties between operations, tax, accounting, and operating systems maintenance.
- 1.2 Current job descriptions exist for management to describe primary job functions and responsibilities.
- 1.3 Entity level monitoring procedures exist to monitor the company and industry for regulatory and industry changes.
- 1.4 The Management Team meets with the staff periodically to discuss current company status, strategic direction and current initiatives.

Company Level Management/Employment Practices

Control Objective 2: Controls provide reasonable assurance that employment practices minimize exposure due to employee incidents and provide employees with adequate direction to perform their job responsibilities.

Control Activities Specified by the Service Organization:

- 2.1 The hiring process is formalized and documented on a New Hire Checklist.
- 2.2 All candidates for employment are interviewed by management and reference, background and credit checks are performed prior to extending an offer of employment.
- 2.3 The organization maintains an Employee Handbook that outlines key business practices and employee responsibilities.
- 2.4 New employees are required to sign-off a form indicating they have read and understand the Employee Handbook.
- 2.5 All employees must sign a Confidentiality Agreement prior to gaining access to client data.
- 2.6 Job descriptions exist for all positions which provide employees with management's expectations and their responsibilities.

- 2.7 Company policy requires that a performance review be completed for all staff members on at least an annual basis.
- 2.8 Training sessions are held quarterly for all personnel on a variety of payroll related topics as well as the Execupay payroll software to promote the development of all staff.

Physical Security

Control Objective 3: Controls provide reasonable assurance that physical access to computer equipment and office facilities is restricted to properly authorized individuals.

Control Activities Specified by the Service Organization:

- 3.1 Access to the office building is restricted to authorized personnel by a key lock outside normal working hours.
- 3.2 A security system is utilized to restrict access to all unauthorized individuals to AccuPay APS' offices after normal business hours. A third-party security company monitors access 24 hours a day, 365 days a year.
- 3.3 The office entrance is equipped with an audible alert system notifying employees that someone has entered the office space. Visitors to the office are greeted by the AccuPay APS personnel in the Reception area.
- 3.4 The secure room is kept locked by a push button 3 digit lock at all times and access is restricted to authorized personnel.

Logical Security

Control Objective 4: Controls provide reasonable assurance that logical access to programs and data files is restricted to properly authorized individuals.

Control Activities Specified by the Service Organization:

- 4.1 Users are granted access to network resources, using a combination of active directory and application level access (individual tabs or screens) based on their job function and responsibilities.
- 4.2 User's access to the system is granted based upon job function.
- 4.3 A user's access to the systems is immediately disabled by the security administrator, upon termination of the user's employment.
- 4.4 If a user changes roles or responsibilities, the user's access will be modified by the security administrator to be consistent with the new position.
- 4.5 The ability to administer security on the Execupay software is limited to appropriate personnel.

Program Change Management

Control Objective 5: Controls provide reasonable assurance that changes to the existing system software and implementation of new software are authorized, tested, approved, properly implemented and documented.

Control Activities Specified by the Service Organization:

- 5.1 The IT team is notified of all software updates via email by the software vendor. The IT team reviews the contents of the update and any impact on AccuPay APS. The CEO must approve the change prior to implementing the update.
- 5.2 Full system backups are performed prior to updates being loaded into production.
- 5.3 The ability to implement software changes and version releases in Execupay is limited to authorized individuals.
- 5.4 AccuPay APS does not have access to make changes to the Execupay source code.

Data Backup

Control Objective 6: Controls provide reasonable assurance that data is retained and backed up completely and stored off-site.

Control Activities Specified by the Service Organization:

- 6.1 The AppAssure makes an incremental backup image on a local NAS device every hour.
- 6.2 The AppAssure process transmits the culmination of the daily incremental changes using 256 bit encryption to an off-site backup server located in a data center located in Atlanta, Georgia.
- 6.3 The Execupay database transaction log files are truncated and backed up hourly and the full database is backed up each night to a NAS device by SQL Server Management Studio.

Data Transmission

Control Objective 7: Controls provide reasonable assurance that the data transmissions between AccuPay APS and its PlatinumPay clients are complete, accurate and secure.

Control Activities Specified by the Service Organization:

- 7.1 AccuPay APS has configured Execupay/PlatinumPay security roles to restrict remote clients' access to only their specific company payroll data.
- 7.2 AccuPay APS has configured Execupay/PlatinumPay security roles to restrict remote clients' access from various system and company level screens or fields.
- 7.3 Connections to the Cloud Desktop environment are protected using SSL.

New Client Setup and Maintenance

Control Objective 8: Controls provide reasonable assurance that new clients are setup and converted completely and accurately.

Control Activities Specified by the Service Organization:

- 8.1 AccuPay APS' new client conversion process is formalized and documented in the Execupay Ticket system. Customized forms are used to gather the payroll information from the client.
- 8.2 All clients sign a client service agreement with AccuPay APS.
- 8.3 A second member of the Conversion Team reviews all company information and employee direct deposit accounts in the payroll software for accuracy and completeness prior to the first payroll run.
- 8.4 The Conversion Team performs a balancing process for quarter-to-date wages, year-to-date wages and tax liabilities prior to the first payroll run.
- 8.5 The client is provided all converted company information and employee demographics for review prior to the first payroll run.
- 8.6 Tax filing frequency, account numbers, year-to-date wages and tax liabilities are reviewed by the Accounting Manager.
- 8.7 A new client's conversion packet is reviewed and approved by the Operations Manager prior to the first payroll run.
- 8.8 A new client's first payroll run is reviewed by the Operations Manager prior to the delivery to the client.

Data Input

Control Objective 9: Controls provide reasonable assurance that payroll data is received from authorized sources and entered completely and accurately into the system.

Control Activities Specified by the Service Organization:

- 9.1 Manually entered information is reconciled to control totals to confirm that data is entered accurately.
- 9.2 PlatinumPay – Remote clients log into the Accupay Cloud Desktop environment using a unique user ID and password. Then the client must log into Execupay/Platinum Pay using a separate user ID and password.
- 9.3 PlatinumPay – Payroll Specialists generate a series of reports, called the Balance Test, to review certain tax items. The following reports identify out of balanced situations:
 - a. Federal Tax variances
 - b. FICA variances
 - c. SUTA variances
 - d. FUTA variances

Data Processing

Control Objective 10: Controls provide reasonable assurance that processing is scheduled and performed appropriately and deviations from the schedule are identified and resolved.

Control Activities Specified by the Service Organization:

- 10.1 Clients are provided with a payroll processing calendar for the upcoming year in December. If a client starts with AccuPay APS™ after January 1, the annual payroll processing calendar is provided to the new client with their first payroll package.
- 10.2 Payroll Specialists and the Operations Manager use in Execupay to monitor the scheduled payrolls. Each day, the scheduled payroll tasks are printed as a task list and reconciled to actual run payrolls at the end of the day.
- 10.3 The Payroll Specialist is responsible for monitoring their scheduled clients and will contact any client that has not processed their scheduled payroll on or before their scheduled processing date.
- 10.4 The Pack Up personnel print the Scheduling Report and review it during the end of the day procedures to verify that all scheduled payrolls have been processed and packed out. The Pack Up personnel generate a Processed Payrolls report at the end of the day and verify all payrolls were packaged appropriately.
- 10.5 The Operations Manager reviews the payroll tasks report for any unprocessed clients at the end of the day to ensure compliance with the schedule.
- 10.6 Unscheduled payroll processes, such as bonus payrolls or adjustments to previous payrolls, are required to be logged in the Execupay ticketing system and approved by the Operations Manager.

Data Output

Control Objective 11: Controls provide reasonable assurance that payroll checks, direct deposit vouchers and reports are produced and distributed completely, accurately and in accordance with client specifications.

Control Activities Specified by the Service Organization:

- 11.1 Checks, vouchers and reports are generated in a dedicated Pack Up Room.
- 11.2 The detail shipping notes report is the first item to print for each client after processing, followed by checks and then reports. This detail shipping notes report lists the client specified distribution and delivery instructions. If special (one-time) instructions are received from the client, the Payroll Specialist will prepare a form and provide it to the Pack Up personnel prior to processing.

- 11.3 Pack Up personnel monitor the status of the printers and resolve any paper jams or errors during printing. The Pack Up personnel will review the sequencing of checks or vouchers upon a printer error to ensure completeness. All unusable documents are destroyed.
- 11.4 Execupay automatically sends a PDF version of the payroll reports to the client's email upon completion of the payroll processing.
- 11.5 Processed checks and vouchers are inserted and sealed using a pressure sealing machine one client at a time. Once the checks and vouchers are run through the machine, the item count per the machine is compared to the Payroll Liability Report for accuracy. Pack Up personnel will manually count the checks and vouchers that are not pressure sealed to ensure completeness.
- 11.6 Checks, vouchers and reports are then assembled and put into a sealed bag for delivery and sorted according to delivery method.
- 11.7 The Pack Up personnel generate a Payrolls by Print Time (Processed Payrolls) Report and verify all processed payrolls were packaged by comparing to the Scheduling Report.

Tax Processing

Control Objective 12: Controls provide reasonable assurance that appropriate federal, state and local specifications are used for tax calculations during processing.

Control Activities Specified by the Service Organization:

- 12.1 AccuPay APS™ receives updates to the tax tables from Execupay, their software provider, on at least a quarterly basis. Included with each update is documentation listing the tax types that have been updated or added. The updates are reviewed by management and installed in a timely manner using a checklist.
- 12.2 AccuPay APS™ subscribes to the American Payroll Association and Keep Up to Date on Payroll and uses their reference tools as a source for payroll tax research. AccuPay APS will notify Execupay of any changes received from external sources that are not reflected in the documentation sent with their latest software update.
- 12.3 The CEO receives periodic emails from various third parties regarding the latest tax changes and disseminates them to all employees.

Tax Reporting

Control Objective 13: Controls provide reasonable assurance that appropriate federal, state and local tax filings are complete, accurate and timely.

Control Activities Specified by the Service Organization:

- 13.1 Each day the Accounting Manager generates the following reports to manage the tax payment process:
 - a. Federal tax deposit reports
 - b. State tax deposit reports
 - c. Local tax reports
- 13.2 Execupay is configured to automatically generate an email to payday@accupayaps.net when a client liability reaches over the \$100,000 federal deposit threshold. The email address is monitored throughout the day by various AccuPay APS personnel.
- 13.3 VeriFund Tax Variance Reports are generated quarterly for each client, which compares the tax liabilities, impounds and tax payments made and verifies that each client's account is in balance. Any variances are researched and resolved prior to the submittal of the tax returns. These reports are then sent to client for their review.
- 13.4 The Accounting Manager utilizes a checklist to reconcile the quarter-to-date and year-to-date tax returns and balance each client's accounts with AccuPay APS, prior to submittal of returns to tax agencies.

- 13.5 Quarterly Control Logs are utilized by tax code and client to ensure that all monthly, quarterly and annual tax returns are filed.
- 13.6 The Account Manager generates at month end and quarter end, the Execupay Balance Reports to identify any unbalanced 941, FICA, FUTA and SUTA for each client; any variance is researched and resolved.

Direct Deposit Processing

Control Objective 14: Controls provide reasonable assurance that the disbursement of direct deposit funds is authorized, complete and accurate.

Control Activities Specified by the Service Organization:

- 14.1 Formalized and documented procedures are followed for the creation, submission and verification of the direct deposit file.
- 14.2 The client signs an EFT Authorization Agreement with AccuPay APS™ and provides the Conversion Team personnel with the company bank account number and bank routing number for input into the client's database.
- 14.3 Fax input clients submit the employee signed Direct Deposit form to AccuPay APS™. The Payroll Specialists enter the information into the client's database.
- 14.4 The Accounting Manager retrieves a copy of the processed clients' Special Company Options Reports from the Pack Up personnel to use in the selection and balancing process during the creation of the ACH file in Execupay.
- 14.5 The Accounting Manager, Operations Manager or CEO creates an ACH file using the ExecuPay Service Downloads utility and generates the ACH Transaction Summary report. The Accounting Manager totals the processed clients' Special Company Options Reports and compares to the ACH Transaction Summary Report.
- 14.6 The ACH file is uploaded to Enterprise Bank's secure website. Enterprise Bank provides a successful upload screen with control totals which is printed off for documentation and the Accounting Manager verifies the control totals with the ACH Transaction Summary Report.

Funds Reconciliation

Control Objective 15: Controls provide reasonable assurance that the tax escrow and trust funds are properly accounted for and the bank accounts are reconciled in a timely manner.

Control Activities Specified by the Service Organization:

- 15.1 The tax impound and trust funds are maintained in separate bank accounts.
- 15.2 The tax impound and trust accounts are reconciled daily by the Accounting Manager in VeriFund.
- 15.3 The Accounting Manager generates the following reports in VeriFund monthly to ensure all bank accounts are balanced and to identify any unusual transactions:
- a. Balancing Sheet
 - b. Duplicate Checks
 - c. Statement Reconciliation Report
 - d. Outstanding Checks
 - e. Other Uncleared Items
- 15.4 AccuPay APS utilizes the Positive Pay file system to protect against check fraud on their trust fund account. The Accounting Manager sends an electronic check listing to the bank daily. If a discrepancy is identified, AccuPay APS is notified to approve further processing of the check.

MONITORING

AccuPay APS™ has a process to identify and manage risks that could affect their ability to provide reliable payroll processing to clients. This process requires management to identify significant risks inherent in the processing of payroll data for clients and to implement appropriate measures to monitor and manage these risks. The Management Team meets every other Monday to discuss the risks the business is facing.

INFORMATION AND COMMUNICATION SYSTEMS

Information Systems

Accupay's information systems are managed under the direction of the CEO who has contracted with Knowledge Information Solutions to provide IT staff to perform IT services at his direction. Additionally, Accupay APS's server and DeskTops2Go infrastructure is hosted by NetTek, Inc. The infrastructure is hosted within a virtual cloud environment consisting of six virtual servers running Windows Server 2008 R2 and Citrix XenApp v6.6. The virtual servers are hosted on enterprise class hardware that has many redundant components and is monitored proactively for failures.

The network is protected by a SonicWALL NSA 2400 firewall appliance. The firewall has built in detectors, which logs unauthorized activity on the system. The detection definitions are updated frequently or when new definitions become available. The monitoring of the firewall is performed by NetTek network security personnel.

Building and Office Access

The office space is protected against unauthorized entry and motion detection by an electronic security system and monitored by third party provider All-Com Digital, which has staff available 24/7/365. The exterior doors are protected by a key lock. A separate security code is used for each AccuPay APS employee assigned a key. Upon an employee's separation of employment a Termination Checklist is used to document the normal out-processing procedures where employees' keys are retrieved and the security code is changed. Each room of the office space is also monitored by 8 electronic security cameras recording continuously for 24 hours surveillance. The security camera surveillance is archived for 7 days and gives the CEO unlimited access to review the cameras from an Internet connection anytime.

The office space is separated into Reception/Lobby, Operations, Pack Up, server room and offices for the Management Team. The layout of the office space provides for the Reception/Lobby area to be separate from the rest of the office space. Therefore, all visitors are greeted and screened prior to gaining escorted access to the remainder of the office space. The front office door is equipped with an audible alert system notifying the employees someone has entered the Reception/Lobby area.

Each critical PC has a battery backup with sufficient power duration to power them down without loss of data or risking corruption of data. The battery backup component also protects against surges and power fluctuations that could result in equipment failure.

Physical Access and Environmental Protection of Server Room

The physical and environmental protections of the server equipment is performed by NetTek, Inc. as part of the infrastructure and DeskTops2Go services.

Logical Access

Access to resource and data are granted to individuals based on their job responsibilities. Controls provide reasonable assurance that logical access to programs and data files is restricted to properly authorized individuals. The network security administrator role has been outsourced to Knowledge

Information Solutions, who is responsible for ensuring adherence to the management's computer security policy. User accounts and access rights are managed on the Primary Domain Controller employing the Internet- standard Windows network authentication protocol to authenticate both the client and the network and protect against the possibility of unauthorized users impersonating a server to enter the network.

Unique user IDs are assigned to each individual user in order to login on their PC. Password rules are established according to AccuPay APS' IT Policy, which requires a minimum of 6 alpha and numeric characters that comply with strong password requirements, requiring them to change password every 90 days. Each employee signs an agreement to abide by the AccuPay APS policy, which is a requirement for employment. User accounts are disabled after five incorrect login attempts. The security administrator sets the user's initial password and upon login, the user is required to change their password.

Individual access capabilities are removed immediately upon the security administrator being notified of termination of employment or change of responsibilities. System security access levels are reviewed periodically by the Management Team to ensure individual access rights are appropriate based on job responsibilities.

Security and Remote Access

In this same manner, client user names and passwords are setup by the NetTek's datacenter system administrator. The clients require a different access role than that of the service bureau's employees. The client is restricted from various system and company level screens or fields as a measure of safeguarding parameters that must not be changed or parameters that require greater system expertise. These areas are controlled by AccuPay APS and are changed according to the client's needs with respect to legal reporting requirements and system functionality. As AccuPay APS™ is notified of changes to client contacts, they contact the NetTek datacenter system administrator who will remove or modify the user's access according to client instructions.

PlatinumPay is the client accessible portion of the Execupay software that clients can utilize to input their payroll data remotely. Remote access to PlatinumPay on AccuPay APS™' server is provided through Citrix XenApp. AccuPay APS™' uses a "locked down" environment using a combination of a separate organizational unit (OU) and Group Policy Object (GPO) for its remote clients accessing PlatinumPay. In addition, AccuPay APS™ uses the security role features of Execupay/PlatinumPay to allow authorized client users to gain access to only their specific company payroll data. PlatinumPay Clients have to log in via the Citrix receiver running ICA security encryption. The client does not have the capability to access or modify the username, password or open any databases not assigned to them. Connections to XenApp Server are secured by 128-bit SSL and ICA encryption.

Information Safeguards

AccuPay APS™ has three separate backup processes performed daily to ensure data is retained and backed- up completely. The Execupay databases and critical files are backed up using three separate processes and at three locations and media types.

- SQL Server Management Studio backs up the SQL transaction logs hourly to the Network Attached Storage (NAS) device
- SQL Server Management Studio backs up the Execupay system and client databases nightly to the NAS device
- AppAssure Appliance backs up all servers, databases and drives incrementally every hour

On a nightly basis, the data is replicated to eFolder Systems in Atlanta, GA

NAGIOS is used to monitor all AccuPay APS™ servers. The AppAssure Appliance creates an incremental backup image every hour.

Software Change Management

The IT Department is responsible for implementing all software changes. Upon receipt of updates to the various software packages, the IT Department reviews the detail of the changes included in the software update. Once the Operations Manager approves the update, it is installed. A detailed Execupay update procedure is utilized and documented to assure that the proper updating of all servers and workstations is performed. Backups of files are made prior to installing updates to software packages.

Communication Systems

AccuPay APS™ utilizes various methods of communication to help ensure employees understand their individual roles and company controls, and to ensure significant events are communicated timely. Policy amendments, additions and/or changes are updated and distributed to each employee within 30 days. Time sensitive information is communicated verbally and by email to all employees.

AccuPay APS™ communicates with clients by phone/email on a regular basis and via a monthly newsletter. In addition, notices are added to payroll package or sent through e-mail for important announcements or reminders. Where email has been provided, clients are notified by email when a payroll process has been completed.

COMPLEMENTARY USER ENTITY CONTROLS

AccuPay APS™'s services are designed with the assumption that certain controls will be implemented by user entities. Such controls are called complementary user entity controls. It is not feasible for all of the control objectives related to AccuPay APS™ services to be solely achieved by AccuPay APS™ control procedures. Accordingly, user entities, in conjunction with the services, should establish their own internal controls or procedures to complement those of AccuPay APS™.

The following complementary user entity controls should be implemented by user entities to provide additional assurance that the control objectives described within this report are met. As these items represent only a part of the control considerations that might be pertinent at the user entities' locations, user entities' auditors should exercise judgment in selecting and reviewing these complementary user entity controls.

1. Ensuring that only authorized and properly trained personnel are allowed logical access to AccuPay APS systems, fax input worksheets and coversheets.
2. Establishing proper controls over the use of user ids and passwords that are used to access and enter payroll information on PlatinumPay.
3. Review of the annually prepared payroll processing schedule and notifying AccuPay APS of any changes in a timely manner.
4. The preparation of worksheets, faxes and control totals that are sent to AccuPay APS.
5. Notifying AccuPay APS of changes in the authorized contacts list.
6. Accuracy of the data entry when using PlatinumPay.
7. Reviewing the Pre-Processing Payroll Register report before submitting on a timely basis to ensure that all payroll information has been recorded completely and accurately.
8. Reviewing the reports produced by AccuPay APS after initial account set-up. This is to ensure that employee-level and company-level information has been initially recorded completely and accurately.
9. Review of error messages that result from entering payroll data, addressing errors and resolution in a timely manner.
10. Submitting payroll data in accordance with the mutually agreed upon schedule.
11. The completeness and accuracy of client-specified deductions.

12. Submitting client-specific deduction changes to AccuPay APS in a timely manner.
13. Establishing procedures to notify AccuPay APS if employees report problems with checks.
14. Signing upon receipt of payroll reports, checks and vouchers.
15. Receiving and distributing checks.
16. Reconciling bank accounts used for payroll processing on a timely basis each month.
17. Retention of payroll reports and supporting documentation for the appropriate length of time to comply with all federal, state and local compliance agencies.
18. Submitting all relevant correspondence with tax agencies to AccuPay APS promptly.

SECTION 4
INFORMATION PROVIDED BY THE SERVICE AUDITOR

GUIDANCE REGARDING INFORMATION PROVIDED BY THE SERVICE AUDITOR

A-lign CPAs' examination of the controls of AccuPay APS™ was limited to the control objectives and related control activities specified by the management of AccuPay APS™ and did not encompass all aspects of AccuPay APS™'s operations or operations at user organizations. Our examination was performed in accordance with American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements No. 16 (SSAE 16).

Our examination of the control activities were performed using the following testing methods:

TEST	DESCRIPTION
Inquiry	The service auditor made inquiries of service organization personnel. Inquiries were made to obtain information and representations from the client to determine that the client's knowledge of the control and corroborate policy or procedure information.
Observation	The service auditor observed application of the control activities by client personnel.
Inspection	The service auditor inspected among other items, source documents, reports, system configurations to determine performance of the specified control activity and in some instances the timeliness of the performance of control activities.
Re-performance	The service auditor independently executed procedures or controls that were originally performed by the service organization as part of the entity's internal control.

In determining whether a SSAE 16 report meets the user auditor's objectives, the user auditor should perform the following procedures:

- Understand the aspects of the service organization's controls that may affect the processing of the user organization's transactions;
- Understand the flow of significant transactions through the service organization;
- Determine whether the control objectives are relevant to the user organization's financial statement assertions;
- Determine whether the service organization's controls are suitably designed to prevent or detect processing errors that could result in material misstatements in the user organization's financial statements and determine whether they have been implemented.