

MPAY Inc.

Payroll Application Development and Processing Services

Service Organization Control (SOC) Report for the period of July 1, 2012 to June 30, 2013.



Redacted for Components
Restricted by the Professional
Auditing Standards

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I. MPAY, Inc.'s Assertion

We have prepared the description of MPAY Inc.'s (the "Company") controls applicable to the payroll application development and payroll processing services (the "System") for user entities of the System ("User Entities") during some or all of the period July 1, 2012 to June 30, 2013 ("Specified Period"), and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by User Entities of the System themselves, when assessing the risks of material misstatements of the User Entities' financial statements. We confirm, to the best of our knowledge and belief, that:

- A. The description fairly presents the System made available to User Entities of the System during some or all of the Specified Period for processing their transactions. The Company uses a financial institution for managing bank accounts, lockboxes and funds; a building management company to manage physical access to the buildings and office suites; software providers for supporting flexible benefit plans and COBRA, and data centers for hosting data hardware, supporting payroll applications, and managing related firewalls. The description in Section III includes only the control objectives and related controls of the Company and excludes the control objectives and related controls of the aforementioned services. The criteria we used in making this assertion were that the description:
 - 1. Presents how the System made available to User Entities of the System was designed and implemented to process relevant transactions, including:
 - a. The classes of transactions processed;
 - b. The procedures, within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports presented to User Entities of the System;
 - c. 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 presented to User Entities of the System;

- d. How the System captures and addresses significant events and conditions, other than transactions;
 - e. The process used to prepare reports or other information provided to User Entities of the System;
 - f. Specified control objectives and controls designed to achieve those objectives; and
 - g. Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of User Entities of the System.
2. Does not omit or distort information relevant to the scope of the 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 financial statement auditors of those User Entities, and may not, therefore, include every aspect of the System that each individual User Entity of the System and its auditor may consider important in its own particular environment.
- B. The description includes relevant details of changes to the Company's System during the Specified Period.
- C. The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the Specified Period to achieve those control objectives, if the complementary user entity controls contemplated in the design of the Company's controls were applied and operating effectively and subservice organizations applied the controls contemplated in the design of the Company's controls and these controls were operating effectively. The criteria we used in making this assertion were that:
1. The risks that threaten the achievement of the control objectives stated in the description have been identified by the Company;
 2. 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; and

The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

II. MPAY Inc.’s Description of its System and Controls

A Introduction

MPAY Inc. (“MPAY” or the “Company”) was incorporated in Massachusetts in October 1996. The Company designs, develops, and manufactures human capital management software (HCMS) such as payroll, time and labor management, benefits administration, and associated software applications for customers located throughout the United States. Payroll services are provided through offices in North Carolina, Illinois, Massachusetts, and Virginia. MPAY serves over 60,000 employers directly and through a network of over 135 strategic partners. Strategic partners include payroll service bureaus, accounting firms, employee benefit brokers, financial institutions, and human resource outsourcing (HRO) organizations. Several employees of MPAY are members of the American Payroll Association, Independent Payroll Providers Association, Society of Human Resource Management, American Society for Training and Development, and The Payroll Group. MPAY’s major products are its Millennium Integrated Payroll and Human Resources System (referred to as “The Millennium System” or “Millennium”), Payentry.com (the Millennium web interface), and Clockentry, MPAY’s time and attendance product.

The Millennium System provides comprehensive payroll processing functionality including tax calculations, ACH generation, New Hire reporting, General Ledger calculation, and accrual calculation and tracking. Payentry.com (referred to as the Website) leverages the power of the internet to deliver a high performance, secure, and reliable website for payroll and human resource management. A hosted solution is available to service bureaus using Millennium. The hosted solution provides service bureaus with processing capabilities without incurring the expense of building and maintaining an IT infrastructure. MPAY also offers Clockentry, a comprehensive software solution designed to simplify timekeeping by providing a seamless integration between timekeeping and payroll.

MPAY’s Full Service Licensee (FSL) model allows trusted advisors to offer their customers branded payroll services through Payentry.com, integrated timekeeping with Clockentry, online and on-demand access to HR Professionals with HR Support Center, Pay-as-you-Go workers’ compensation, and paperless solutions.

MPAY provides direct payroll services, payroll tax processing services, time and labor management, flexible benefit administration, and COBRA administration to customers. This report covers software development life cycle of the Millennium software, payentry.com web interface, payroll processing, payroll tax administration, and benefit administration.

MPAY has developed strategic alliances with certain vendors, which provide other related software and services including time and attendance, workers' compensation, and benefits administration. These services and products are not include in the scope of this report.

B Scope & Purpose of the Report

This report has been prepared to provide information on the control activities applicable to the payroll application development and payroll processing services. This includes business processes conducted at Huntersville, North Carolina; Roanoke, Virginia; Waltham, Massachusetts; and Peoria, Illinois MPAY Inc. locations, and controls governing review of access to the hosted data centers in Las Vegas, Nevada and Ashburn, Virginia.

The description is intended to provide customers and independent certified public accountants of such customers with information about the control features of functions provided by the Company to enable the independent certified public accountants of the Company's customers to plan their audits. It was prepared taking into consideration the guidance contained in the American Institute of Certified Public Accountants (the "AICPA") Statement on Standards for Attestation Engagements (SSAE) No. 16. As this description is intended to focus on features that may be relevant to the internal control of the Company's licensees, payroll, and benefit customers, it does not encompass all aspects of the services provided or procedures followed by the Company.

C Relevant Aspects of the Overall Control Environment

Broadly defined, internal control is a systematic process designed to provide reasonable assurance regarding the realization of specific objectives in accountability, effectiveness, and efficiency of operations, reliability of financial reporting, and compliance with numerous laws and regulations. MPAY Inc. recognizes the importance of internal controls and has instituted a number of controls within the organization.

MPAY Inc. firmly believes in maintaining a well-trained staff capable of exceeding customer's expectations. As a result, numerous qualitative and quantitative elements are implemented and utilized throughout the organization.

These elements, which are permeated within the organization's control structure, consist of the following:

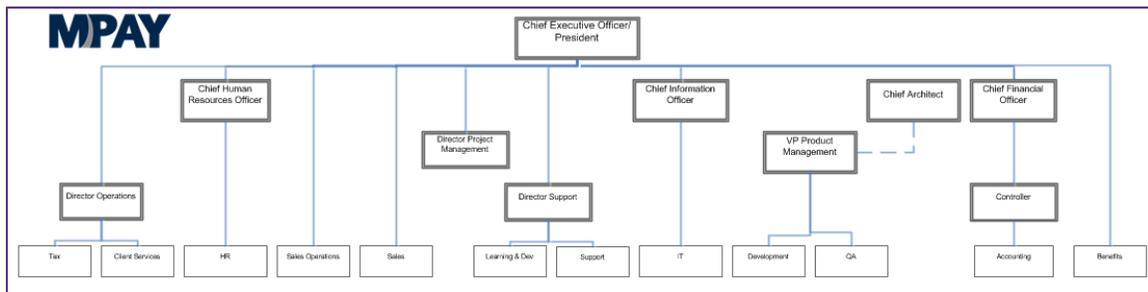
Control Environment

Management instills a philosophy that enables all employees to share in the successes and ultimate growth of the Company. The organization's management team is comprised of a well-skilled and diverse group who are ultimately responsible for establishing corporate policy and addressing all operational, financial, cultural, and social aspects of the Company. Employees are seen as vital

components crucial for building and shaping a company that values high ethical standards and the promotion of industry leading products and services.

Organizational Structure

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 a relevant organizational structure include defining key areas of authority and responsibility as well as establishing appropriate lines of reporting. The organizational structure of MPAY is noted in the diagram below:



MPAY is organized into three functional areas as described below:

Operations

Client Services: The Client Services Teams are located in Huntersville, North Carolinas and Peoria, Illinois. The Teams are responsible for implementation, handing all incoming payrolls, customer service, and level I technical support. Client Services analyzes and converts new customers and begins the service relationship. This process is pivotal in establishing the standards and methods of service to the customer. The teams follow an established implementation process that begins with customer setup, employee setup (if necessary), software installation (if necessary) and initial training. Checklists are utilized to help ensure that all steps in the implementation process are completed.

The teams are also responsible for handling all incoming payrolls. Payrolls are either input by the customer and submitted to MPAY or keyed by MPAY personnel. For those payrolls that are input by the customer, the payroll system allows the customer to verify the accuracy of their payroll prior to transmitting it to MPAY. For those payrolls that are keyed by MPAY personnel, the customer has the option of reviewing the accuracy of the data prior to processing the payroll.

The teams work with direct customers and third party payroll service providers to help customers utilize the system in an optimal manner by providing level I support. The teams actively monitor the level I support case queue to help ensure issues are addressed timely. The teams serve as client advocates for support and provide initial troubleshooting. Metrics are established in order to better support the users.

On-going customer service is available via telephone and Salesforce.com (CRM) from 8:30 a.m. to 7:00 p.m., Monday through Friday.

Tax: The Tax Team is located in Huntersville, N.C. MPAY Inc. offers two levels of tax service, full tax and non-tax. For the full tax customers, the Tax Team submits payroll tax deposits and returns directly to the taxing authorities. While MPAY electronically submits the Employer W2 copies to the Social Security Administration for both full tax and non-tax clients, non-tax service customers are responsible for making their own tax deposits and filing the payroll tax returns in a timely manner. Non-tax customers are supplied with printed quarterly tax returns that the customer can review, sign and submit to the taxing authorities. The Tax Team also addresses agency notices and customer inquiries about tax liabilities and deposits.

Benefits: The Benefits Team, based in Huntersville, provides customers with Third Party Administrator services for COBRA and Flexible Spending Accounts (“FSA”). For COBRA, MPAY is responsible for providing the initial eligibility COBRA notice to the customer’s qualified beneficiaries, enrolling participants who accept continuation, and collecting premiums from the qualified beneficiary and reimbursing them to the customer. For FSA, MPAY provides recordkeeping, claims adjudication, and reimbursement services. This includes non-discrimination testing and the production of cafeteria plan documents.

Software

Hosted: The Information Technology Team is responsible for both internal information systems management and hosted services management for external customer systems. The Team designs, deploys, and manages all internal systems including e-mail, accounting, database, CRM, web server remote access security, LAN/WAN networking, and all associated hardware and technologies. Similarly, the team designs, deploys, and manages all customer facing hosted solutions including Citrix Hosted Millennium, Payentry.com, Clockentry, and Payentry.com Web Services. In addition to systems management, the team maintains an internal Help Desk.

Product Development: MPAY’s Product Development Team, based in Waltham, MA, is responsible for all new software applications and updates to the applications. The team maintains and enhances the current software, resolves software issues, and develops custom programs and reports requested by customers and members of MPAY’s strategic alliance. Product Development is also responsible for quality control over Millennium and Payentry.com products and the release of those products to MPAY’s customers.

Technical Support: The Technical Support Team (Level II Support) based in Huntersville, assists MPAY users with resolving issues encountered in the day to day operation of their business. The team actively monitors the Level II Support case queue to help ensure issues are addressed timely. The team serves as the client advocate for issues needing advanced troubleshooting or assistance from other departments. Metrics are established in order to better support the users.

Tax Research: The Tax Research Team’s primary objective is to help ensure the Millennium software platform complies with the tax calculation and reporting requirements defined by the various federal, state and local taxing authorities. The team also assists users in the resolution of any tax related situations they may encounter.

Shared Services

Internal Audit: The Internal Audit team, based in Huntersville, NC, is designed to help MPAY meet its objectives. The team is responsible for evaluating controls and for providing assurance and consulting services to all levels of staff. The team monitors internal controls and also serves as the liaison between MPAY employees and external auditors. The team reports on the effectiveness of operations while also recommending improvements and sharing ideas for leading practices.

Accounting and Human Resources: The Accounting and Human Resources Teams, based in Roanoke, VA, are responsible for MPAY's financial management and implementation and support of MPAY's human resources policies and procedures. The Teams develop and monitor MPAY's budgets and human resources activities and report monthly on the Company's financial condition and results of operations. The Accounting Team also serves as the point of contact for customers and vendors with regard to billing and software licensing transactions.

Human Resources Policies

MPAY's human resources function administers payroll and benefits, oversees hiring, performance evaluations and terminations, and is responsible for developing the personnel policies of the Company. Operations are guided by standards of conduct regarding acceptable business practices and expected ethical, moral, and lawful behavior, as described in MPAY's Code of Ethics. The Company's policies are documented in the Employee Handbook, which is issued to all employees and is also available on SharePoint. Written policies include a Sexual Harassment Policy, Confidentiality, Internet, Voice-mail and Electronic-mail Usage, Network Account Use and Access Policy, a Network Account Password Policy, and a New Personnel Hiring Policy. New employees, and existing employees transferring to new positions within the Company, are required to sign a non-competition, non-disclosure agreement.

Checklists are used during the hiring process to help determine that all internal requirements are met. These requirements include background checks and reference verification. New employees are also required to attend new-hire orientation and complete employment related paperwork, including a non-compete agreement, non-disclosure agreement, and distribution of written Company policies. Checklists are also used for employee terminations to help ensure that the termination is fully documented, system access is eliminated, and that all members of management are notified. Upon resignation, the employee's capabilities are reviewed by the employee's manager and the Human Resources Department to determine the risks, if any, involved with allowing the employee to continue to work prior to official termination. Employees terminated for cause are escorted off the premises, and physical and systems access capabilities are immediately removed.

MPAY employees receive annual performance evaluations. The evaluation process includes personnel development issues, training needs, and an annual performance appraisal. Overall the Company's strategic and performance-related goals are communicated periodically to MPAY's employees. Methods of communication include e-mails from management as well as Company meetings where MPAY's management team provides updates to all employees.

Risk Assessment

The Company proactively identifies risks to the business through a continuous ERM model. Clearly defined objectives are established throughout all levels of the Company to help ensure that a variety

of risks, both internally and externally, are brought to management's attention and are addressed. Management regularly assesses the risks of potential growth or decline in business and how it may affect the organization as a whole. The Company is also fully aware of the risks attributed to their Information Technology infrastructure, such as a security, network operations, and disaster recovery. Therefore, employees are trained in the latest security practices and are constantly monitoring and improving the security infrastructure of the organization. A number of other issues affecting the Company's workplace environment and corporate culture are also examined on a routine basis, such as: education and training, compensation, promotion, and other topics deemed vital. Risk assessments pertaining to finance activities, such as cash flows, expenses, and revenues, are routinely discussed by appropriate management personnel.

The Company's senior management actively works together to help identify changes within the Company that could significantly affect any number of issues. Internal and external audits are routinely conducted and significant issues identified during these processes are promptly addressed by the Company. Human Resources also has an open door policy which can be utilized by all employees for reporting suspicious activities, grievances, or individual issues deemed significant.

Control Activities

The Company has implemented a number of policies and procedures that help ensure that management's directives are carried out and that necessary and just actions are taken to address risks in achieving the organization's stated objectives. Control activities operate throughout the organization, at all levels, and in all functions. They include a range of activities, as defined below.

Authorizations

Permission or approval to conduct any activities within the organization must follow a structured and regimented process. For new employees, access to systems and facilities is granted based on one's assigned job duties and responsibilities. Authorizations for business activities such as release of funds, change management, and all related components must adhere to formal approval requirements prior to the activity taking place.

Review of Operating Performance

Through daily management and oversight of employees, the Company enacts appropriate measures in reviewing, analyzing, and making recommendations pertaining to operations. Reports are created detailing key performance indicators such as retention rates, case response times, abandoned calls, and new feature releases. These reports are reviewed on a frequent basis by Management in the corresponding business area(s).

Segregation of Duties

Duties are segregated among employees to reduce the risk of error and inappropriateness. By creating effective barriers between duties and continually assessing and making amendments to the definitions as these duties evolve, the Company is proactively addressing matters before they become liabilities.

Reconciliation

Customer funds held are reconciled to the individual liability level on a daily basis. Reconciliation exceptions are posted to SharePoint to be researched and corrected. A different team member performs the reconciliation at least monthly to reduce the risk of error or fraud.

Education, Training and Coaching

In order to reduce the risk of error and inefficiency in operations by helping to ensure that personnel have the proper education and training to perform their duties effectively, MPAY has developed an education and training program. This program requires each employee to take a specified number of hours of training each year. The program is periodically reviewed and updated to conform to any changes in the environment.

Information and Communication

The Company believes that staying current on information regarding the Company's key performance indicators as well as industry trends and standards is the key to running a business that can effectively react to its customers' needs. The Company is therefore committed to participating in key industry activities, holding internal meetings and training and communicating information to its stakeholders on a timely basis.

Information

The Company actively collects metrics regarding the Company's operations. The metrics are compiled into a Balanced Scorecard and reviewed on a regular basis in order to identify internal trends and opportunities. Information relating directly to the Company's core business processes is collected, stored, and reported through the Company's internal SharePoint portal. Data pertaining to the Company's core operational activities resides on SharePoint, file servers, SQL Servers, and Salesforce.com. Access to these systems is strictly limited based on the information security policies described in this report.

Monitoring and review activities for business functions are performed at all times, allowing the Company to assess the business operations as a whole and make recommendations for correcting and ultimately improving any activities. Historical data is maintained and referenced for future projects.

Communication

The Company embraces a belief that information should flow in an open forum environment, thus allowing a discussion on a wide range of topics and subject matter by all employees. Management feels this will foster a true sense and understanding of the important role each employee plays in maintaining the security of the organization's infrastructure and quality of internal control elements for their respective departments. Effective communication with external parties, such as vendors, customers, and government entities, enables the Company to be proactive in addressing any issues before they become major constraints or liabilities.

The Company's Employee Handbook and related policies and documents, are all designed to adequately inform employees of policies and procedures relating to the workplace environment and one's professional conduct. Each department also has documented processes and procedures pertaining to respective roles and duties, and how they are to be carried out on a daily basis.

Updates or changes to corporate policies and any other Human Resources related matters are promptly communicated to all employees via SharePoint. Physical documents, such as listings of providers for employee benefit plans and insurance coverage, are sent out to all employees upon hire and annually during open enrollment. Any changes or modifications during the year to these documents will be handled accordingly, either by e-mail notification or the subsequent issuance of new booklets.

Monitoring

Internal controls are closely observed to help ensure they are operating as designed. The organization has policies in place for reviewing aspects of the enterprise wide network on a periodic basis. Additionally, management holds discussions on a monthly basis to address additional controls, such as employee issues, business continuity plans, building security, network security, and all other areas or subject matters deemed vital to MPAY and its organization's business process activities. Internal Audit monitors to help ensure that controls are followed and that processes are effective and efficient. Internal Audit reports risks and variances to management on a regular basis. Management is involved in the day-to-day operations of the business and actively identifies significant variances from expectations.

D Relevant Aspects of the Technical Computing Environment

Management has established processes and controls for the development, maintenance, and access to payroll information systems and supporting infrastructures. The systems and procedures are detailed as follows:

Physical Access

MPAY's production systems are outsourced to two geographically dispersed Tier 1 data centers. MPAY requests and reviews access lists and access logs to both the Equinix data center in Ashburn, VA and the Switch data center in Las Vegas, NV. Both data centers offer MPAY IT staff a central management portal through which MPAY requests and reviews physical access to MPAY computing resources.

Client Services (including Payroll Processing), Tax, Benefit and Technical Support services are based at the Company's Huntersville operations center. Employees and approved personnel access the Huntersville operations center through the use of proximity card readers. Proximity card readers are managed by the building's property management group. Access to the main operations floor as well as protected areas such as network closets and printer pack-out rooms are protected by proximity card readers. All proximity access cards are requested through the IT Service Desk and must be approved by HR. Upon approval by HR, senior IT management or the Director of Support create and physically issue the access cards. Similarly, termination or revocation of access cards is requested through the IT Service Desk and approved by HR. Personnel requesting access to protected areas requires additional approval by senior management. Senior IT management and the Director of Support are the only individuals with access to the badge management system. Visitors enter the Huntersville operations center through the main entrance. Visitors are escorted into the lobby and are required to register and log their visit with the receptionist. On a quarterly basis, the General Manager requests and reviews the Huntersville operations center access reports.

Logical Access

Access to the system is made available to appropriate users through industry standard authentication and access controls. MPAY's corporate and production networks operate upon a Microsoft 2008 Active Directory infrastructure. Password policies are controlled through the network's group policy settings and applied across the infrastructure through the use of isolated organizational units. All user, administrator, and system accounts require strong password complexity, expiration, and reuse settings.

New account requests are submitted to the IT Service Desk by HR and reviewed and approved by Human Resources. System administrators grant least privilege access to network resources by default. Access to protected resources is requested by HR or the departmental manager. Requests for modifications of existing system/application access are documented, reviewed, and approved by the supervising manager before access is granted. Employee terminations are managed through the IT Service Desk and performed within two business days of the requested termination date. Termination requests must be submitted by senior HR personnel.

MPAY manages access to the system using a least privileges methodology. As a result, direct access to production databases and structures has been disabled through SQL and Windows permissions. Only SQL administrators have direct access to the SQL databases and structures. This methodology extends throughout the enterprise by restricting root access to all production systems, networks, and devices to appropriate IT staff. As defined in MPAY's baseline systems deployment guides, all default accounts and passwords have been disabled or changed. This process includes the typical Windows guest and administrator accounts.

From time to time, developer assistance is needed to troubleshoot production issues. In these cases, a Service Desk ticket is submitted and IT administrators temporarily grant specific members of the software engineering group access to production systems. Developer activity during this period is monitored. Access is revoked within ten days of the developer assistance request. On a quarterly basis, the system administrators assist the departmental managers with their review of network and application access. In addition to operational network and application access review, senior IT staff performs regular reviews of MPAY's entire security event logging system.

Each physical location including both data centers and the Huntersville operations center are protected by several layers of network security. Edge routers are hardened and configured with restrictive access control lists, followed by Cisco ASA high availability firewalls, and finally each network boundary is inspected by Cisco intrusion detection and prevention devices. MPAY maintains strict least access restrictions between security boundaries whereby only the required protocols and traffic are granted access between networks including outbound traffic.

All user desktops and production servers are protected by centrally managed endpoint protection and anti-malware servers. Group policy settings help ensure the enforcement of endpoint protection software updates.

Change Management

A formal change management program is in place which reduces the risk of infrastructure and logical access changes to the system. All hardware, software, and logical access changes are subject to MPAY's change management procedures and are required to be approved by the Senior Enterprise Systems Administrator or IT Management prior to implementation. System administrators use the IT Service Desk system to document change requests, submit management approvals, and track testing and deployment operations. Critical security, operating system patches, and updates are reviewed on a monthly basis for suitability by senior IT staff and are submitted to the Service Desk for approval. Changes are tested in non-production environment prior to deployment on production systems.

MPAY Software Program Development

Software program development follows the Company's formal system development lifecycle (SDLC) methodology. Before a change can make it into the payroll processing application, it must make it into the development queue. The MPAY Software Change Board which is comprised of several senior staff members from engineering, client services, and product management act as gate keepers for this queue. They review all proposed changes and decide which ones will be placed on the queue to be incorporated into the system and which ones will be rejected.

Once a proposed change makes it through the Change Board it is entered into the JIRA incident tracking system. This system allows MPAY management to monitor and audit the status of all changes to the system. All engineers making changes to the system are required to use the JIRA system and are not allowed to work on changes without having a tag (ticket) for that change. The ticketing system also helps to ensure that all changes follow the development lifecycle that has been selected and approved by management. The lifecycle controls how the work on a change is performed and the document is available for employees via SharePoint. At MPAY, that lifecycle is comprised of requirement gathering and approval, coding, unit testing, and code reviews, Q/A testing, release note writing, and final approvals.

The initial stages in the lifecycle, requirements gathering and approval, are performed by a business analyst, a tax researcher, or a senior staff member. This phase consists of defining the change and providing detailed descriptions of the modifications that are required. This phase may also consist of a review of the requirements by a senior staff member to help ensure that they are complete. The next stages, coding, unit testing, and code reviews, are performed by one of two groups. The software engineering group will make all software code changes, and the tax research group will make all tax rate and form changes. Each of these groups has its own development environment that is restricted to the appropriate engineers from the group and that is separated from the actual production environment. The engineer responsible for the change will make their code and or data changes and will then unit test their work. Once they have completed their testing, their work may undergo a peer review by another senior member of their group. Individuals performing programming activities are restricted to the development and test environments.

All changes to application source code made during the coding stage are controlled by the Accurev Source Code Control System. This system limits access to the source code so that only approved developers can make changes. It also provides full audit capabilities so that management can see what

changes have been made. This system also integrates with the JIRA system to help ensure that all code changes are associated with an approved development tag.

Once the changes have been made and peer reviewed, they move on to the next phase in the life cycle, Q/A. In this phase, the change is tested by a quality assurance engineer. The engineer will verify that the change made meets all of the requirements and that the entire system still performs as expected after the change is incorporated. All testing is done in a controlled Q/A environment that is separate from the development environment and from production.

Once a change has been completed and tested, a technical writer will produce a release note that describes the change and updates any documentation related to the changed functionality. A new product release will contain one or more completed changes. Once all of the changes associated with a release have been coded, tested and documented, the release is sent to the development manager for approval. The manager will review all changes and release notes and will authorize the release to be produced.

Once a release is produced, a Release Engineer publishes the software to the repository and clients are notified that they can download the latest version. For MPAY Hosted licensees, the IT team downloads the latest version to update the production databases. The IT group is separate from the software development and tax research groups.

Backup and Recovery

Data resiliency and recoverability is accomplished by several means at MPAY. Production databases in the Las Vegas data center are backed up with a 15 minute recovery point objective using native SQL 2008 R2 compressed online backups through custom maintenance scripts. A MoveIT Central tamper proof file replication server replicates SQL backup files from the Las Vegas data center to the Ashburn data center on a continual basis. Replicated backups are encrypted and vaulted to tape on a weekly basis. Production databases in the Ashburn data center are backed up with a 30 minute recovery point objective using Quest Light Speed for SQL and vaulted to tape on a weekly basis. System administrators verify the integrity of the backup system on a daily basis and log the analysis using a task workflow system on MPAY's SharePoint server. MPAY uses a full chain of custody vaulting and off-site transfer service through Iron Mountain. Vaulted backups are reconciled on a weekly basis with the Iron Mountain vault delivery report. Both the backup system and media are restricted to appropriate system administrators. System backups are tested for recoverability on a semi-annual basis. All other file and system backups are performed on a nightly basis using the Veeam Enterprise Backup and Replication from VMware.

E Relevant Aspects of Functional Services and Processes

Management has established processing procedures for the development and processing system. The procedures are detailed as follows.

MPAY Services Payroll New Customer Setup and Conversion

New payroll customers are brought on periodically throughout the year. The Salesperson works with the new customer to complete a setup kit and obtains verification of the customer's Federal ID number. These documents are scanned and stored on SharePoint. Creation and completion of the

setup kit verifies that data collected for new client set-up is complete. Once the necessary documents are collected, the Salesperson triggers a workflow in SharePoint which notifies Sales Support that an order is ready for processing. Sales Support logs the new kit in the New Order Tracking System, verifies that all required information and documents have been collected, and triggers a workflow which notifies the Client Services Team member that the customer is ready to be set up in Millennium 3.

Sales Support assigns the new order to a Client Services Team member. The team member starts by creating a company shell by using a conversion tool with Millennium 3 to populate basic company information. Detailed information specific to the new customer is imported via an Implementation Helper program. The team member continues the setup process by following a checklist to go through each of the tabs on the Master Company Setup screen to verify that all fields are populated accurately. If the new customer is direct or the customer of a Standard FSL, the team member keys the employee and year to date wage information into Millennium 3. A Preprocess Register is generated from Millennium 3 and year to date wages are compared to documentation from the previous provider. If the year to date wages balance, the payroll is submitted for processing. At this point a second team member audits the setup to help ensure completeness and accuracy of the client setup. If the new customer is a client of a Full Service Licensee, the team member adds the company's shell in Millennium 3 and then notifies the FSL when it is ready. The FSL keys the employees and year to date wages into Millennium 3. Once they have balanced the Pre-Process Register back to the reports from the previous provider, they notify the Client Services Team member that the new customer's year to date payroll entries balance. The team member reviews the setup to help ensure that all information is complete and accurate and then submits the first payroll for processing.

MPAY Services COBRA and FSA New Customer Setup and Conversion

New COBRA and FSA customers are also brought on periodically throughout the year. The Salesperson obtains a setup kit and signed Administrative Services Agreement from the new customer. The Salesperson then uploads the documents to SharePoint and kicks off a workflow that notifies Sales Support that the order is ready for processing. Sales Support verifies all of the necessary documents have been received and kicks off workflow that notifies the Benefits Team that the new order is ready for setup. The Benefits Team accepts the workflow.

For new FSA customers, a Benefits Team member sets up the new customer in Lighthouse and Millennium 3. Management then reviews the setup to verify that the information contained in the kits has been setup in the system completely and accurately. If the customer is a FSA takeover plan customer, the Account Balance Report is generated from Lighthouse and reconciled to the previous provider's report to verify that the setup is complete and accurate. For new COBRA customers, a Benefits Team member sets up the customer in COBRAPoint and Millennium 3. The Benefits Manager reviews the setup for accuracy and signs the setup kit as evidence of his/her review.

MPAY Services Transmission of Payroll Data

Payroll data is transmitted to MPAY Services through two distinct mechanisms. The first is via the Payentry.com web site. Customers enter payroll data into the Payentry.com web application through 2048 bit Secure Sockets Layer encrypted transactions. The second mechanism is directly through the

Millennium client application using its secure synchronization transmission. Customers enter payroll data into a local instance of the Millennium desktop application where it is encrypted using the Triple Data Encryption Algorithm and then transmitted to MPAY Services Millennium Synchronization Server. Once the data is securely transmitted to the Synchronization Server it is then merged into MPAY Services Millennium database.

MPAY Services FSA Claims Processing

Prior to the first claim being processed, a Next Steps document is sent to the customer to inform them of the claims process, including how to request reimbursement for claims and how to send documentation to support debit card claims. Debit card claims are automatically imported into Lighthouse and do not need to be entered by the participant or Benefits Team. Employees can file paper claims through the participant portal or via mail, e-mail, or fax. The claims go directly to the Benefits department. A Benefits Team member reviews the claim to help ensure proper substantiation of the reimbursement request. If all of the necessary information is included with the claim, it is approved via the portal or the paper claim is entered into Lighthouse and reimbursement is processed. If information is missing, the team member requests the necessary documentation via e-mail, telephone, or mail. When substantiation is received, the claim is approved in Lighthouse and reimbursement is processed.

Employees can choose to use their FSA debit card to pay for approved expenses. If the employee uses the debit card and an IRS approved Merchant Category Code is attached to the expense, no additional substantiation is required. For other purchases, participants are sent notification via e-mail or mail that substantiation is required. If not received, reminder notifications are sent after 3, 10, and 20 business days. If a claim remains unsubstantiated after 30 days, the employee is sent notification indicating that if substantiation is not received within 15 days, the claim will be denied. If the claim remains unsubstantiated after 90 days, a team member denies the claim in Lighthouse, which restores the employee's account balance. Additionally, a request to draft the funds from the employer is sent to the Accounting Team for processing.

MPAY Services Payroll Scheduling and Processing

Millennium 3 auto-generates a payroll processing calendar for each customer based on their processing frequency and first live check date. The calendar contains twelve months of unprocessed check dates. For a small group of customers, the Client Services Team keys the payroll information rather than receiving it electronically. In those instances, the customer can elect that the Preprocess Register be provided and their approval confirmed prior to MPAY submitting the batch for processing.

Every time a payroll is processed, the calendar auto-generates a new check date 12 months in the future. In order to process a payroll, a batch must be opened, information keyed into the batch for each employee, and the payroll is closed and submitted for processing. A series of jobs are kicked off by submitting the payroll. At times a job can error out and prevent the rest of the payroll from completing. The job queue is monitored by a Client Services Team member throughout the day to help ensure that errors which impact payroll processing are researched and resolved. In order to help ensure that all direct client payrolls that are scheduled to be delivered from an MPAY office are processed, a Scheduling Report is run from Millennium 3 several times throughout the day. This

report lists direct client payrolls that are scheduled but have not yet processed. Direct customers with outstanding payrolls are contacted via telephone or e-mail to determine if the check date should be changed or if the payroll will be submitted. As the payrolls delivered from an MPAY office process throughout the day, the checks are printed in a secure room. A Client Services Team member runs the checks through a pressure sealer which provides a check count. That check count is compared to the customer's Packout Report to help ensure that all checks that should be delivered are included in the package. The reports, checks, and vouchers are stuffed in either a UPS envelope or customer envelope for pick up. For customers that pick up payroll, an authorized employee or agent must sign for the package upon pickup. For UPS customers, an End of Day Processed Payrolls report is run once all packout for the day is complete. A Client Services Team member (other than the Team member who packaged the payrolls) verifies that all payrolls on the End of Day Processed Payrolls report are waiting to be shipped.

MPAY Services Payroll Tax Reporting and Processing

At the beginning of the month following the quarter end month, a Tax Team member creates a checklist of customers and payroll tax returns that need to be filed on the full tax customers' behalf. The checklist is based on the Quarter End – Filings Check Off query generated from Millennium 3. The checklist is organized by customer and by agency and can be filtered on either field. The checklist helps to ensure that all quarterly and annual returns are filed to the appropriate taxing authority within established deadlines.

Next, a series of audits are run in Millennium 3 to verify taxable wages, tax liabilities, and related tax deposits. Discrepancies are researched and resolved. Once audits are completed, customer copies of the returns are processed.

Finally, electronic files are generated by tax code for most agencies; however, some agencies require paper copies. Paper copies of filing returns are printed by tax code and electronic copies are generated by tax code. For payments being made by paper check, the checks are printed from the Tax Check warehouse and matched with the filing paper copy of the return. For electronic payments, the Deposit by Due Date report is generated from Millennium 3 and reconciled to the ACH Warehouse. The ACH file is then generated and transmitted to the appropriate ACH processor. The paper copies of the returns and checks are checked off and shipped via certified mail or United Parcel Service to the appropriate agency by the due date of the return. The electronic files are uploaded to the appropriate agencies and also checked off by the due date of the return.

MPAY Transmission of Payments

Funds are sent to and from MPAY bank accounts when tax payments, payrolls, and FSA claims are processed. The vast majority of transactions are generated via ACH; however, some payments require a paper check.

Tax Payments

During the implementation process or when customers enter new taxing jurisdictions, tax deposit frequencies are set up at the company level. When payrolls are processed, tax liabilities are calculated. Once the last payroll in the tax deposit period is processed, Millennium 3 automatically generates a tax deposit with a due date based on the customer's setup. On a daily basis, a Deposit by Due Date

report is run from Millennium 3 for taxes due two business days from the current date. The report is organized first by payment method (ACH or check) then by tax code. The ACH Warehouse is reconciled to the ACH payments on the report. The Tax Check Warehouse is reconciled to the check payments on the report. Once balanced, the ACH file is created and transmitted to the appropriate ACH processor. Coupons are created and matched with the tax checks. The checks are then mailed to the appropriate taxing authority by the due date.

Payrolls

Payrolls are input into Millennium 3 either by the customer or by a member of the Client Services Team. Payroll information is entered into an open batch for the appropriate check date. A Preprocess Register is available in order to balance the payroll information to the source document. In order to generate a payroll check from Millennium 3, a payroll batch must be processed. Once the batch is processed, payroll reports, checks, and vouchers that are delivered by MPAY are printed to a printer in a room with access limited to authorized personnel where they remain until picked up by UPS or the customer.

Any checks drawn on an MPAY bank account with a payee of an individual (payroll and FSA checks) are cut from an account with positive pay in order to identify payment exceptions, including erroneous, unauthorized, or fraudulent transactions.

Millennium 3 provides the service bureau with the ability to create a manual ACH transaction outside of a payroll batch. Access to the manual ACH screens are limited to authorized individuals via security in Millennium 3. Access to create ACH batches to be sent to the ACH processor is also limited to authorized individuals. Once ACH files are transmitted to the ACH processor, receipt of the file is confirmed by the processor.

Millennium 3 also provides the service bureau with the ability to create a manual agency check outside of a payroll batch. Access to make changes to the manual Misc Checks screen and also access to approve the check print request is limited to authorized personnel via security in Millennium 3.

Reconciliation of Customer Accounts

Reconciliation is a crucial piece of payroll processing and is used in order to maintain the financial integrity of the Company. By reconciling accounts daily, MPAY helps to ensure that customer funds and liabilities are handled appropriately. MPAY's reconciliation process essentially monitors and accounts for each dollar that is transacted through the bank accounts used for payroll and benefits processing.

MPAY utilizes online banking in order to reconcile on a daily basis. To gather all of the banking transactions that occurred the previous day, transactions are downloaded from the banks' websites in a BAI format. Those files are then imported into Millennium 3 where journal entries associated with the transactions reside. Millennium 3 systematically matches the bank file to the journal entries posted to cash. Three criteria are used to match items: effective date, company code, dollar amount. If these three criteria are met for a transaction, the bank transaction is matched to the journal entry to indicate that the item has cleared the bank. Transactions not matched through the bank file import

are researched. If the transaction is valid, a manual journal entry is posted and cleared in Millennium 3. Invalid transactions are rejected.

An Accounting Team member also uses exception reporting to help ensure that MPAY is holding the proper amount of third party funds for each customer. Predefined queries are run against the database to gather the exception information. The following are the internal control reports that are run on a daily basis:

- Aged Uncleared Items. This report identifies any items that should have cleared, but have not. These items are either resolved or identified as reconciling items.
- Accounts Receivable. This report compares the accounts receivable in the Millennium 3's Service Bureau General Ledger to the items in the ACH Warehouse. Any amounts in accounts receivable but not in the ACH Warehouse are researched and either resolved or identified as a reconciling item.
- Tax Liability vs. Tax Ledger. This report compares the Service Bureau General Ledger to the Tax Tables within Millennium 3 down to the individual customer and liability. If the amount due for any customer for a particular liability differs from the funds held specifically for that liability by more than \$1.00, the item is identified as an exception. Each exception is researched and either resolved or identified as a reconciling item.
- GL3 Comparison. This report shows any agencies that are on a company's balance sheet, but are not set up in their agency list in Millennium 3. This helps to ensure that all funds are designated for a valid payee. Exceptions are either resolved or identified as reconciling items.
- Negative Liabilities. This report shows any liability within a customer's balance sheet that is less than \$0. Negative liabilities are reviewed and a determination is made for resolution.
- Suspense Balances. This report verifies that assets equal liabilities for each customer. Exceptions greater than \$1.00 are researched and resolved by posting a manual journal entry to reclassify the suspense item.
- Settlement Account Reconciliation. MPAY utilizes two settlement accounts that all transactions flow through. Returned ACH items are also processed through these accounts. For each account, an Accounting Team member verifies that the aggregate balance nets to \$0 and that all returned items are accounted for.
- Bank Balance Reconciliation. An Accounting Team member reconciles the aggregate adjusted bank balance for each of four transfer types (billing, direct deposit, trust/agency, and tax) to the aggregate corresponding balance in the Service Bureau General Ledger. Exceptions are either resolved or identified as reconciling items.
- FSA balances. Millennium 3 is used as the general ledger system for funds processed through Lighthouse. On a daily basis, an Accounting Team member posts the prior day's FSA activity in Millennium 3. The same bank import methodology used to reconcile the payroll accounts are employed to reconcile the FSA accounts. Monthly, the Account Balance Report from Lighthouse is compared to the customer's Millennium 3 balance sheet to help ensure that the balances from each system reconcile to each other. Exceptions are either resolved or identified as reconciling items.
- COBRA balances. An Accounting Team member compares the adjusted bank balance in the COBRA bank account to the Custodial Cash Report generated from COBRAPoint to help ensure that the balances reconcile to each other. Exceptions are either resolved or identified as reconciling items.

Reconciling items identified through the reconciliation process are posted to SharePoint for resolution. The individual responsible (a Client Services, Tax, or Benefits Team member) for resolving the reconciling items performs the necessary steps to obtain a resolution and then checks the item as complete. An Accounting Team member verifies that resolution was obtained then removes the item from the list of outstanding reconciling items. In order to help ensure the integrity of the reconciliation process, a different team member performs the month end account reconciliation at least monthly.

MPAY Supervision and Control

During the recruiting process, background checks are ordered for job candidates prior to an offer being extended to the candidate. Once the candidate is hired, they are asked to sign various documents including confirmation that the employee has read the Employee Handbook and a Confidentiality Agreement. The Employee Handbook, which outlines business practices and employee responsibilities, is available to all employees via SharePoint. Should there be any changes to the Employee Handbook, Human Resources notifies all employees of the change.

F Subservice Organizations

Sub-servicer Name	Service Provided
Bank of America	Developed and maintains CashPro Online which provides cash management systems for all account and allows access to bank statements used in performing bank/cash reconciliations. Additionally, Bank of America processes ACH transactions generated by the various systems.
Wells Fargo	Developed and maintains Commercial Electronic Office which provides cash management systems for all account and allows access to bank statements used in performing bank/cash reconciliations. Additionally, Wells Fargo processes ACH transactions generated by the various systems.
Spectrum Properties, Inc.	Provides property management for the Huntersville, North Carolina office
Switch	Provides the data center infrastructure and connectivity for the data center located in Las Vegas, NV
Equinix	Provides the data center infrastructure for the data center located in Ashburn, VA
Lighthouse1, LLC*	Developed and maintains Lighthouse which is used for flexible benefit plan administration
Benaissance*	Developed and maintains COBRAPoint which is used for COBRA administration

* The achievement of design for Control Objectives 2, 4 and 8 assumes that complementary controls at this subservice organization are in place and are operating effectively to support and achieve this control objective.

G User Control Considerations

The processes of the Company were designed with the assumption that certain controls would be implemented by user organizations. In certain situations, the application of specific controls at user organizations is necessary to achieve the control objectives included in this report.

This section highlights those internal control responsibilities that the Company believes should be present for each user organization and has considered in developing its control policies and procedures described in this report. In order for users to rely on the control structure's policies and procedures reported on herein, each user must evaluate its own internal control structure to determine if the following procedures are in place. Furthermore, the following list of control policies and procedures is intended to address only those policies and procedures surrounding the interface and communication between the Company and each user. Accordingly, this list does not allege to be, and is not, a complete listing of the control policies and procedures that provide a basis for the assertions underlying the financial statements and control environments for the Company's user organizations.

User Entity Control	Associated Control Objective
Prior to the first payroll run, the User Organization should perform a complete review of the set-up and conversion data and immediately communicate inaccuracies to MPAY.	Control Objectives 1 and 2
The User Organization should perform a detailed review of their first payroll checks and reports for accuracy and completeness.	Control Objectives 1 and 2
The User Organization should review the terms of the FSA Administrative Services Agreement	Control Objective 2
The User Organization should perform a quality review of the data in the FSA setup kit.	Control Objective 2
User Organizations using MPAY COBRA Services should log into COBRAPoint and view qualified beneficiary accounts.	Control Objective 2
User Organizations using MPAY COBRA Services should ensure that beneficiary information entered into COBRAPoint is complete and accurate.	Control Objective 2
User Organizations using MPAY COBRA Services should review the monthly Remittance Report generated from COBRAPoint.	Control Objective 2
The User Organization should set up a payroll processing submission schedule each year and update and communicate changes to the schedule to MPAY Services as needed.	Control Objectives 2 and 5
The User Organization should control and limit access to PC and terminals used to transmit data to and from MPAY.	Control Objective 3
User Organizations using MPAY FSA Services should review the Next Steps document.	Control Objective 4
User Organizations using MPAY FSA Services should review the Payroll Deduction Report and FSA Deductions.	Control Objective 4
The User Organization should review the FSA IRS plan documents or restated IRS plan documents.	Control Objective 4
The User Organization is responsible for submitting data for payroll packages which is accurate and in accordance with the agreed upon distribution frequency.*	Control Objective 5*
The User Organization is responsible for establishing and communicating to MPAY a list of employees and agents authorized to pick up payroll packages.*	Control Objective 5*
The User Organization is responsible for reviewing the pre-process register for accuracy of payroll data.*	Control Objective 5*
The User Organization should submit payroll data on a timely basis in accordance with established schedules.	Control Objective 5
The User Organization should notify or make arrangements with MPAY Services if they do not intend to process their scheduled payroll on or before the scheduled processing date.	Control Objective 5
The User Organization should review the payroll audit and	Control Objective 5

User Entity Control	Associated Control Objective
output reports on a timely basis to ensure that all payroll information has been recorded completely and accurately and that payroll amounts and computations are correct.	
The User Organization should retain payroll output for the appropriate length of time to satisfy all state, federal, and local payroll compliance agencies.	Control Objective 5
The User Organization should structure and document employee duties and responsibilities to ensure that individuals responsible for initiating transactions are adequately supervised and that adequate segregation of duties exist between recording, reviewing, approving and reconciling payroll transactions, and any changes to payroll information.	Control Objectives 5 and 7
Non-tax service user organizations should establish processes to make their own tax deposits and file returns in a timely manner.	Control Objective 6
The User Organization should review the customer copies of the quarterly tax returns prior to their filing.	Control Objective 6
The User Organization should immediately communicate to MPAY rate and deposit frequency changes for its individual employment-based taxes where the tax agency assigns a tax rate and deposit frequency directly to the customer.	Control Objective 6
The User Organization is responsible for the complete and accurate customer-specified deductions and for submitting changes to the customer-specific deduction in a timely manner.	Control Objective 6
The User Organizations that choose to print their own payroll checks at their location should establish procedures to ensure that checks printed are complete and accurate.	Control Objective 7
The User Organization should have controls in place to determine that payroll output, including downloaded payroll data, is restricted to authorized customer personnel.	Control Objective 7
The User Organization should communicate to MPAY any changes to the list of those authorized to pick up their payroll.	Control Objective 7
The User Organization should immediately notify MPAY when problems with check, remittances, or deposits to financial institutions occur.	Control Objective 7
The User Organization should ensure that the banking information they provide to MPAY is complete and accurate and should notify MPAY of changes to banking information as they occur.	Control Objective 8
The User Organization should ensure that sufficient funds are available in the specified bank account to enable MPAY to collect and disburse funds to pay their liabilities on a timely basis.	Control Objective 8
The User Organization should perform timely reconciliation of customer bank statement activity to payrolls, COBRA and FSA	Control Objective 8

User Entity Control	Associated Control Objective
transactions processed.	
The User Organization should have policies and procedures for protecting the passwords related to User IDs used to access systems.	Control Objective 10
The User Organization should have procedures to ensure that only appropriate personnel are authorized to approve the modification of user access for their personnel.	Control Objective 10
The User Organization should have procedures to ensure that user access to applications and infrastructure systems by User Organization personnel is regularly reviewed to confirm appropriateness of user access.	Control Objective 10
The User Organization should have procedures to ensure that timely notifications are provided to MPAY of terminated or transferred User Organization employees with access to the Millennium system.	Control Objective 10
The User Organization should have procedures to ensure that only authorized employees have the ability to access data.	Control Objective 10
The User Organization should ensure that its network configuration supports the limitation of access to only authorized individuals via appropriate configuration of firewalls and other network infrastructure systems.	Control Objective 10
The User Organization should control access to payroll systems to only authorized and properly trained personnel.	Control Objective 10
The User Organization should review MPAY testing results related to program changes.	Control Objective 12
The User Organization should perform user acceptance testing procedures for program changes prior to implementing the change in their environment.	Control Objective 12
The User Organization should have procedures to help ensure that only appropriate User Organization personnel are authorized to approve the implementation of application changes.	Control Objective 12
If a User Organization requests MPAY assistance in the diagnosis and resolution of software related issues, the User Organization should monitor the activities of the MPAY analyst when their system is accessed.	Control Objective 12

* This is a complimentary control and is required to achieve design for this particular control objective.

III. Control Objectives and Activities Provided by MPAY

CONTROL OBJECTIVE 1	
MPAY Services Payroll New Client Set-up and Conversion: Controls provide reasonable assurance that new clients are set-up and converted completely and accurately.	
CA No.	Control Activity
1.1	A setup kit including the 8655 Form (if Tax services will be provided), the Payroll Servicing Agreement, and the tax ID verification (proof of federal ID) is created to verify that data collected for new client set-up is complete.
1.2	A Payroll Service Team member balances Year-to-Date (YTD) wages entered in the system (Millennium 3) to reports provided by the client to help ensure that client information has been entered into the system completely and accurately.
1.3	An audit is performed by a different Payroll team member to help ensure that client information has been entered into the system completely and accurately.

CONTROL OBJECTIVE 2	
MPAY Services COBRA and FSA New Client Set-up and Conversion: Controls provide reasonable assurance that new clients and takeover clients are set-up and converted completely and accurately, and MPAY benefits activities for clients are executed in accordance with the Administrative Services Agreement.	
CA No.	Control Activity
2.1	An Administrative Services Agreement is established and signed by the client.
2.2	A setup kit is created and completed for each client.
2.3	COBRA New Client Setup: Information in the setup kit is entered into the system by the Benefits Team and is reviewed by management to verify that the kits have been setup in the system completely and accurately.
2.4	FSA New Client Setup: Information in the setup kit is entered into the system by the Benefits Team and is reviewed by management to verify that the kits have been setup in the system completely and accurately.
2.5	For each FSA takeover plan client, the Account Balance Report is generated by MPAY Services and is compared to the Previous Provider Report to verify that the setup is complete and accurate.

CONTROL OBJECTIVE 3	
MPAY Services Transmission of Payroll and Benefits Data: Controls provide reasonable assurance that user payroll and benefits data and information transmitted or otherwise delivered using MPAY software is secured during transmissions.	
CA No.	Control Activity
3.1	The public key used to generate the SSL certificate utilizes a 2048 bit RSA key to secure the transmitted data between the client and MPAY.
3.2	Data transferred by MPAY's data transmission system utilizes 3DES encryption.

CONTROL OBJECTIVE 4	
MPAY Services FSA Claims Processing: Controls provide reasonable assurance that clients are provided with instructions for requesting claims reimbursement, and claims are not adjudicated until receipts are received.	
CA No.	Control Activity
4.1	Next Steps documents are sent to clients to inform them of the claims process, including how to request reimbursement for claims.
4.2	For Paper Claims: Prior to payment, claims are reviewed and approved by the Benefits Administrator to verify that the claims totals are substantiated by receipts.
4.3	For Debit Card Claims: On a monthly basis, notices are sent to clients for claims that have not been substantiated for over 30 days.
4.4	For Debit Card Claims: The Benefits Department employees monitor system warehouse screens to identify aged claims. Unsubstantiated claims are voided, the employee's account balance is restored, and the amount of the claim is debited from the employer's account within 90 days from the date of the claim.

CONTROL OBJECTIVE 5	
MPAY Services Payroll Scheduling and Processing: Controls provide reasonable assurance that payroll data is processed by the system and distributed completely, and to appropriate individuals in accordance with the clients' requests and distribution frequencies.	
CA No.	Control Activity
5.1	Payroll Processing Calendars are auto-generated by the system based on payment frequency, as determined through client implementation. Scheduling reports are programmed to reflect payroll packages to be processed based on the dates in the client calendar.
5.2	The job queue in Millennium 3 is monitored by a Payroll Service team member throughout the day to help ensure that errors which impact payroll processing are researched and resolved.
5.3	A Payroll Service team member verifies that the total number of checks listed on the Packout Report matches the check count on the stuffing/sealing machine.
5.4	A payroll package will only be released for client pickup to the client's authorized employee or agent if the authorized employee or agent signs the package to evidence receipt.
5.5	For payroll data entered and processed by MPAY, a pre-process register is sent to the client for review and confirmation prior to the payroll being processed.

CONTROL OBJECTIVE 5	
MPAY Services Payroll Scheduling and Processing: Controls provide reasonable assurance that payroll data is processed by the system and distributed completely, and to appropriate individuals in accordance with the clients' requests and distribution frequencies.	
CA No.	Control Activity
5.6	An end-of-day processed payroll report (listing clients to be processed for the day) is printed daily and is reviewed by the Customer Service Representative ("CSR"). A Payroll Service team performs a peer review to verify that all processed payroll packages scheduled to be shipped from an MPAY office are complete and accurate.
5.7	If payroll packages are shipped from an MPAY Office, the Payroll Service team reviews the scheduling report and contacts direct clients that have not processed their scheduled payroll on or before the check date, unless previous arrangements have been made.

CONTROL OBJECTIVE 6	
MPAY Services Payroll Tax Reporting and Processing: Controls provide reasonable assurance that state, federal, and local tax filings are complete, accurate, and in accordance with tax filing deadlines.	
CA No.	Control Activity
6.1	On a quarterly basis, the system is programmed to perform a series of audits on each client verifying the following information for accuracy and completeness: <ul style="list-style-type: none"> • taxable wages, • tax liabilities, and • related tax deposits. Any issues identified are researched and resolved by the Tax Unit prior to processing quarterly tax returns.
6.2	Checklists are utilized to help ensure that all quarterly and annual tax returns are filed to the appropriate taxing authority and within established deadlines.

CONTROL OBJECTIVE 7	
MPAY Transmission of Payments: Controls provide reasonable assurance that payments are valid, are transmitted accurately, and are disbursed by appropriate individuals, and that tax payments are disbursed by the established payment deadlines.	
CA No.	Control Activity
7.1	Tax payments are systematically calculated based on tax tables and client deposit frequencies.
7.2	For Tax Payments Only: On a daily basis, a Deposit by Due Date report is generated from Millennium 3 and is reconciled to the ACH and check warehouses to verify that payments are scheduled and paid by the established payment due date.
7.3	For Payroll Only: The system is programmed such that checks can only be generated to pay against valid payroll files approved by clients.
7.4	For Payroll and FSA Only: Positive pay is established to identify and report payment exceptions, including erroneous, unauthorized and/or fraudulent payments.
7.5	For Payroll and FSA Only: Access to checks, vouchers, and reports awaiting UPS or customer pickup is limited to appropriate personnel.

CONTROL OBJECTIVE 7	
MPAY Transmission of Payments: Controls provide reasonable assurance that payments are valid, are transmitted accurately, and are disbursed by appropriate individuals, and that tax payments are disbursed by the established payment deadlines.	
CA No.	Control Activity
7.6	For all ACH Payments: Access to create manual ACH transactions is restricted to appropriate personnel.
7.7	For all ACH Payments: Access to transmit manual ACH transactions to the bank is restricted to appropriate personnel.
7.8	For all ACH Payments: The bank ACH system requires confirmation of all ACH transactions prior to processing the files.
7.9	A cash reconciliation is performed on a daily basis to verify payments transmitted accurately.

CONTROL OBJECTIVE 8	
Reconciliation of Client Accounts: Control provides reasonable assurance that cash is appropriately applied to the correct account, and accounts are in balance.	
CA No.	Control Activity
8.1	On a daily basis, bank records are imported into Millennium 3, which is programmed to systematically perform a reconciliation of transactions posted by the bank to transactions requested by MPAY. Non-reconciling items are researched and resolved.
8.2	On a daily basis, an Accounting Team Member reviews the client aging reports to verify that requested transactions are posted to the bank. Unposted and uncleared items are researched and resolved.
8.3	On a daily basis, an Accounting Team Member compares any receivables from the General Ledger Balance Sheet to the ACH warehouse to verify that receivables are valid.
8.4	On a daily basis, an Accounting Team Member reviews exception reporting to identify any client tax liability that does not reconcile to tax tables. Exceptions greater than \$1.00 are researched and resolved.
8.5	On a daily basis, an Accounting Team Member reviews exception reporting to verify that all liabilities have a GL3 designation, mapping them to a valid payee. Exceptions greater than \$1.00 are researched and resolved.
8.6	On a daily basis, and once all liabilities are paid, an Accounting Team Member reviews exception reporting to verify that no single balance is negative, thereby, helping to ensure that all payments are accurately made to the correct payee. Negative liabilities are reviewed and a determination is made for resolution.
8.7	On a daily basis, an Accounting Team Member reviews any suspense balances to verify that assets equal liabilities for each client. Exceptions greater than \$1.00 are researched and resolved.

CONTROL OBJECTIVE 8	
Reconciliation of Client Accounts: Control provides reasonable assurance that cash is appropriately applied to the correct account, and accounts are in balance.	
CA No.	Control Activity
8.8	On a daily basis, an Accounting Team Member reviews the Settlement Account reconciliation to verify that aggregate balances net to \$0 and that all returned items have been accounted for. Exceptions greater than \$1.00 are researched and resolved.
8.9	On a daily basis, an Accounting Team Member reconciles the bank balances for the payroll accounts to the balances in Millennium 3. Exceptions greater than \$1.00 are researched and resolved.
8.10	On a daily basis, the FSA bank account balances are reconciled to the FSA balances in Millennium 3. On a monthly basis, the FSA balances in Millennium 3 are reconciled to Lighthouse, the FSA administration software. Exceptions greater than \$1.00 are researched and resolved.
8.11	On a daily basis, the COBRA bank account balances are reconciled to the balances in COBRAPoint, the COBRA administration software. Exceptions greater than \$1.00 are researched and resolved.
8.12	On an at least a monthly basis, a secondary person, independent of the daily reconciliations performed, performs the account reconciliations to verify accuracy. Exceptions greater than \$1.00 are researched and resolved.

CONTROL OBJECTIVE 9	
Physical Access: Controls provide reasonable assurance that physical access to onsite computer and network equipment is restricted to appropriate individuals and that access to offsite data centers is monitored by MPAY.	
CA No.	Control Activity
9.1	The MPAY authorized access list for the Equinix Data Center is reviewed by Senior IT Management on a quarterly basis.
9.2	The MPAY authorized access list for the Switch Data Center is reviewed by Senior IT Management on a quarterly basis.
9.3	Access to the office suite is controlled through the use of building access cards which are issued to appropriate personnel upon hire and are revoked upon termination.
9.4	Visitors to the facility are required to register with the receptionist and are escorted through the facility by an employee of the Company.
9.5	Access to add, change, or disable users in the badge system is restricted to the Director of Support and Senior IT Management.

CONTROL OBJECTIVE 10	
MPAY Services Logical Access: Controls provide reasonable assurance that logical access to data and programs is restricted to appropriate individuals.	
CA No.	Control Activity
10.1	Network and application access is limited to users with a valid Active Directory user ID and password.
10.2	Network and Millennium application password controls include the following: <ul style="list-style-type: none"> • Passwords must contain a minimum number of seven characters; • Passwords expire every 90 days; • Passwords cannot be reused for 12 iterations; • Users are locked out of the system for a number of minutes after six unsuccessful logon attempts; • Complexity has been enabled for all passwords; and • Users are locked via screen lock after a period of 15 minutes of inactivity.
10.3	New user requests for system/application access are documented, reviewed, and approved by Human Resources before access is granted. Requests for modifications of existing system/application access are documented, reviewed, and approved by the supervising manager before access is granted.
10.4	Employee terminations are communicated to IT by Human Resources, and access is terminated within two business days of the termination.
10.5	Ability to change data and table structures on the production databases is limited to appropriate personnel.
10.6	Temporary access to production systems for MPAY Software Engineers is approved by Senior IT Management. Access is revoked after 10 business days.
10.7	Initial default accounts and passwords for the network, applications, and databases have been changed or disabled.
10.8	Administrator and/or root privilege access to applications, operating systems, and databases is restricted to appropriate individuals based upon their job functions.
10.9	A quarterly review of network accounts and a semi-annual review of application accounts is conducted by the applicable data owner, either IT or the Director of Operations, to verify that access to key systems is appropriate.
10.10	Security event logs are reviewed on a quarterly basis to identify potentially significant security events.
10.11	Allow any rules are not permitted within firewall configurations to restrict access based on least privilege.
10.12	Virus protection software is used on all client desktops and servers, except production SQL servers, and incoming external e-mails are scanned for viruses and spam. Anti-virus software updates are automatically pushed onto the servers and client desktops.

CONTROL OBJECTIVE 11	
MPAY Services Infrastructure Change Management: Controls provide reasonable assurance that changes to system infrastructure are documented, tested, and approved.	
CA No.	Control Activity
11.1	All infrastructure changes, including patches, are documented using a change ticketing system.
11.2	All infrastructure changes, including patches, require Enterprise Systems Administrator or IT Management approval prior to implementation.
11.3	Operating system and server changes are tested on test servers prior to deployment into the production environment.
11.4	On a monthly basis, Senior IT Staff reviews and evaluates the latest version of Windows patches available to determine whether MPAY's server Operating Systems are required to be updated. Patches deemed critical by Senior IT Staff are implemented within one month

CONTROL OBJECTIVE 12	
MPAY Software Program Development: Controls provide reasonable assurance that changes to applications and new system developments are documented, tested, and approved prior to implementation by appropriate individuals.	
CA No.	Control Activity
12.1	A formal system development lifecycle (SDLC) methodology, which has been approved by MPAY Software Development Management, has been implemented and communicated to appropriate Development personnel.
12.2	Changes, excluding Tax Changes: The MPAY Software Change Control Board reviews update changes and application development requests prior to MPAY Software initiating deployment.
12.3	All changes are initiated, approved, and documented through the Jira Ticketing system.
12.4	Changes requiring system development are applied and tested in development and testing environments that are separate from the production environment.
12.5	Programmer access is restricted to development and test environments.
12.6	Access to migrate code to the production environment is limited to appropriate personnel.
12.7	Unit/system testing of all changes requiring system development is performed by the MPAY Software Development Staff prior to QA testing.
12.8	QA testing of new releases is performed by the MPAY Software QA team prior to being sent to the MPAY Software Development Management for final review and approval.

CONTROL OBJECTIVE 12	
MPAY Software Program Development: Controls provide reasonable assurance that changes to applications and new system developments are documented, tested, and approved prior to implementation by appropriate individuals.	
CA No.	Control Activity
12.9	MPAY Software releases are approved by MPAY Software Development Management prior to being released to clients.
12.10	Release notes are approved by MPAY Software Development Management prior to being made available to clients.
12.11	Tax Changes: Authority to enter tax changes is limited to appropriate members of the Tax Research team.
12.12	MPAY Software manages source code through a source code control system.

CONTROL OBJECTIVE 13	
MPAY Services Backup and Recovery: Controls provide reasonable assurance that key data, applications, and system files hosted and maintained by MPAY are backed up, are secured, and are stored offsite.	
CA No.	Control Activity
13.1	The backup system is configured to back up production data for key MPAY systems as follows: <ul style="list-style-type: none"> • Hosted Millennium Databases - 30 minutes or less; • MPAY Services - 15 minutes or less; • Pay entry databases - 60 minutes or less; and • Timeforce databases - 30 minutes or less
13.2	The results of backup processing are reviewed on a daily basis for any exceptions. Exceptions are investigated and resolved as necessary.
13.3	Effective December 2012: On a weekly basis, Senior IT Staff review a weekly backup report to verify that all full and incremental backups were completed for critical data centers and servers. Exceptions are investigated and resolved as necessary.
13.4	Production data is rotated to an offsite location on a weekly basis.
13.5	For tape backups: On a monthly basis, MPAY personnel reconcile the delivery report from a third party storage service to the backup tapes released for pickup to verify that all backup tapes are accounted for.
13.6	MPAY communicates to third party data centers a listing of appropriate IT individuals who should have access to backup media.
13.7	Vaulted data is encrypted.

CONTROL OBJECTIVE 13	
MPAY Services Backup and Recovery: Controls provide reasonable assurance that key data, applications, and system files hosted and maintained by MPAY are backed up, are secured, and are stored offsite.	
CA No.	Control Activity
13.8	Backup data is restored and tested on a semi-annual basis.

CONTROL OBJECTIVE 14	
MPAY Services Supervision and Control: Controls provide reasonable assurance that senior management provides employees with direction to perform their job responsibilities and instructs employees to maintain confidentiality of all payroll information.	
CA No.	Control Activity
14.1	MPAY maintains an Employee Handbook that outlines key business practices and employee responsibilities.
14.2	New employees are required to sign-off on a form indicating that they have read and understand the Employee Handbook.
14.3	All employees must sign a Confidentiality Agreement prior to gaining access to client payroll data.
14.4	New employees are subjected to a background check prior to employment with MPAY.