

**Report on Controls Placed in Operation and
Tests of Operating Effectiveness (SAS 70 Type II)**

**Corporate Payroll, Inc.
Corporate Plans, Inc.
Collectively dba CPI-HR**

**For the period September 1, 2008
through May 31, 2009**



BENEFITS • PAYROLL • PLANNING
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BRUNER-COX LLP

Business Consultants & Certified Public Accountants

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INDEPENDENT SERVICE AUDITORS' REPORT

To the Board of Directors
Corporate Payroll, Inc.
Corporate Plans, Inc.
Collectively dba CPI-HR
Solon, Ohio

We have examined the accompanying description of controls related to the payroll processing, benefit brokerage, and benefit administration services of Corporate Payroll, Inc. and Corporate Plans, Inc. collectively dba CPI-HR (CPI-HR). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of CPI-HR's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and user organizations applied the controls contemplated in the design of CPI-HR's controls and (3) such controls had been placed in operation as of May 31, 2009. CPI-HR leases their payroll application from a payroll application developer which is responsible for the development and administration of the application including the hosting of payroll data/client databases. CPI-HR leases a benefit administration program used for COBRA and flexible spending account administration from a third party developer which is responsible for the development and administration of the application including the hosting of client data. In addition, this benefit administration application developer is responsible for mailing required COBRA notifications once information has been input and uploaded by CPI-HR. The accompanying description includes only those controls and related control objectives of CPI-HR and does not include controls and related control objectives of the payroll application developer or benefit administration application developer. Our examination did not extend to controls of the payroll application developer or benefit administration application developer. The control objectives were specified by CPI-HR's management. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned application presents fairly, in all material respects, the relevant aspects of CPI-HR's controls that had been placed in operation as of May 31, 2009. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of CPI-HR's controls.

Board of Directors
CPI-HR

In addition to the procedures we considered necessary to render our opinion as expressed in the previous paragraph, we applied tests to specific controls, listed in Section IV of this report, to obtain evidence about their effectiveness in meeting the control objectives, described in Section IV of this report, during the period from September 1, 2008 to May 31, 2009. The specific controls and the nature, timing, extent, and results of the tests are listed in Section IV of this report. This information has been provided to user organizations of CPI-HR and to their auditors to be taken into consideration, along with information about the internal control at user organizations, when making assessments of control risk for user organizations. In our opinion, the controls that were tested, as described in Section IV of this report, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section IV of this report were achieved during the period from September 1, 2008 to May 31, 2009. However, the scope of our engagement did not include tests to determine whether control objectives not listed in Section IV were achieved; accordingly, we express no opinion on the achievement of control objectives not included in section IV.

The relative effectiveness and significance of specific controls at CPI-HR and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The description of controls at CPI-HR is as of May 31, 2009, and information about tests of the operating effectiveness of specific controls covers the period from September 1, 2008 to May 31, 2009. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at CPI-HR is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such conclusions.

This report is intended solely for use by the management of CPI-HR, its customers, and the independent auditors of its customers.

Bruner • Cox, LLP

Canton, Ohio
June 15, 2009

Overview of Operations

Founded in 1996 as Corporate Plans Inc, CPI-HR has been characterized by consistent growth and a high level of financial stability. CPI-HR is comprised of 2 divisions, **Corporate Plans, Inc.** and **Corporate Payroll, Inc.**, offering three service lines: Benefits Brokerage, Benefits Administration and Payroll. This extensive service offering allows us to help meet many companies human resource needs.

Corporate Plans Inc. encompasses both the Benefits Brokerage service line and the Benefits Administration service line. These services include health and welfare services, wellness programs, communication and education programs, and employee benefit strategic planning. As the client's benefits broker, we act as a liaison between the client and the benefit carriers by assisting the client through the renewal process, providing consulting services, negotiating rate increases, reviewing claims data, recommending cost-saving initiatives, implementing the benefits plan and providing customer service, as needed.

Our **Benefits Administration** service line provides a full line of services to include COBRA, Flexible Spending Accounts (FSA) and Health Reimbursements Arrangements (HRA).

COBRA Administration services have been in place since 2003. Utilizing the DATAPATH technology, we maintain strict compliance with COBRA regulations, while utilizing a web-based technology that allows the client and their COBRA-qualified beneficiaries more flexibility and real time data access.

FSA services have been in place since 2003. CPI-HR offers a fully automated service model approach to FSA administration under Section 125 plans. In 2008, we began to offer auto-adjudication of most claims by utilizing a debit card solution.

HRA Administrative services have been in place since 2001. CPI-HR offers a benefits plan that combines an employer-paid-first-dollar claims funding program in combination with a High Deductible Health Care Plan.

Corporate Payroll Inc. which began operations in April 2004, is a payroll service bureau that offers a web-based payroll software platform. Using our leased technology, Mangrove HR2O, we provide payroll, human resource information management system, benefits management and recruitment management services in an on-line, web-based environment. User organizations are connected to the Mangrove technology via the Internet and provide online, real time access to the HR2O payroll software platform.

In 2006, we registered **CPI-HR** as a "dba". Under the registration, **CPI-HR**, we use all three of our service lines to bundle our services, thus creating a seamless integration that ultimately helps businesses become more cost-efficient and run more smoothly. We have an inherent understanding of this integration and by integrating these services with one service-provider, **CPI-HR** can enhance the value it provides to many companies.

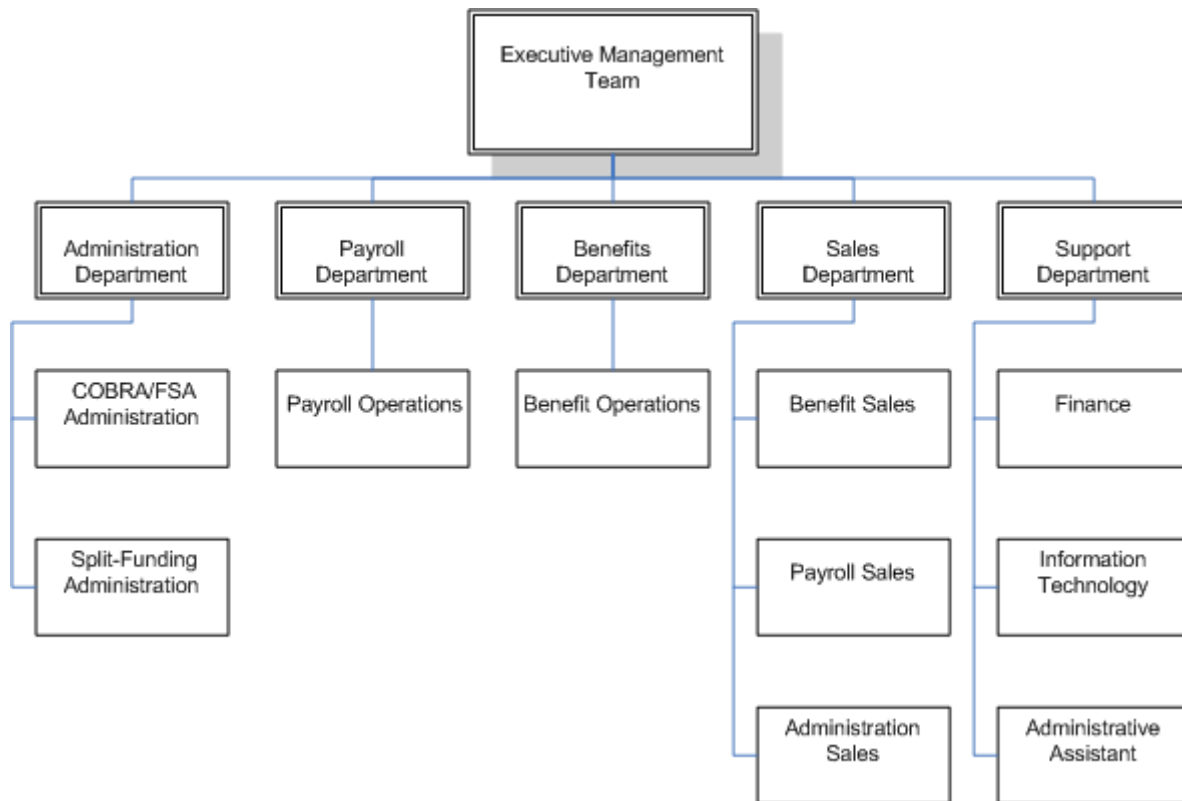
This report will cover all 3 lines of service offerings discussed and hereafter referred to as CPI-HR. Relative to the payroll service line, this report will only cover the control environment

whereby a client enters time and maintains employee data through the web-based platform provided by Mangrove Services.

Control Environment

CPI-HR is segregated into four distinct and separate organizational groups: Executive Management, Sales & Marketing, Operations and Support.

- **Executive Management** – This group is responsible for developing and establishing organizational goals, strategic vision, organizational direction, client strategy and company growth. The Executive Management Team oversees the activities related to its service offerings. Executive Management at CPI-HR establishes and maintains internal controls. The internal controls are designed to provide reasonable assurance that assets are safeguarded, recorded and reported in accordance with management’s intentions and authorizations, as well as to comply with applicable laws and regulations. The internal control system includes an organizational structure that provides appropriate delegation of authority, segregation of duties, established policies and procedures. To enhance the reliability of internal controls, management recruits and trains qualified personnel and maintains sound risk management practices.
- **Sales & Marketing** – This group is responsible for planning, organizing and implementing sales and marketing programs for CPI-HR. This division oversees sales budgets, sales forecasts and monitors industry pricing and trends, as well as evaluating market conditions, competitor data and implements marketing plan changes.
- **Operations** – This group is responsible for initial client support, integration of services, enrollment, education and training. This division oversees implementation and plan design based on client requirements. This includes training, education, compliance, customer support and responsibility for client retention.
- **Support** – This group is responsible for Human Resources, Finance and Information Technology.
 - The Human Resources area is responsible for providing a quality workforce by assisting in the selection and retention of qualified employees, as well as providing a safe and comfortable work environment for all employees.
 - The Finance area is responsible for managing accounting functions and preparation of financial statements, reports, budgets and metrics detailing financial results. This division is responsible for maintaining accounting practices to ensure accurate and reliable data necessary for business operations are generated and safeguarded.
 - The Information Technology area is responsible for data center infrastructure support, network security, disaster recovery readiness, desktop support and helpdesk operations. With the assistance of a Managed Service Provider, the division oversees the installation of new servers, troubleshoots/repairs all hardware related issues, and maintains and analyzes all networking equipment.



The control environment of CPI-HR reflects the overall philosophy of management concerning the importance of controls and the emphasis given to the controls in CPI-HR’s policies, procedures, methods and operating structure. The control environment at CPI-HR involves the following areas:

- Integrity and Ethics
- Administration

Integrity and Ethics

CPI-HR is committed to establishing a culture of openness, trust and integrity in business ethics. Ethical thinking, actions and behavior are an essential part of the core values of every CPI-HR employee. CPI-HR is committed to protecting employees, partners, vendors and the company from illegal and damaging actions by individuals, either knowingly or unknowingly. CPI-HR is committed to addressing issues proactively. CPI-HR will not tolerate any wrongdoing or impropriety at any time, will take the appropriate measures, and act quickly in correcting any issue if the ethical code is broken.

Executive Commitment to Ethics

- Top executives within CPI-HR must set a prime example. CPI-HR’s business philosophy is that honesty and integrity are part of our core values and must be top priority for executives.

Section II

CPI-HR Description of Controls

- Executives have an open door policy and welcome suggestions and concerns from employees. This allows employees to feel comfortable discussing any issues and will alert executives to concerns within the workforce.
- Executives must disclose any conflicts of interest in regard to their positions with CPI-HR.

Employee Commitment to Ethics

- CPI-HR employees will have mutual respect, promote a team environment, and avoid the intent and appearance of unethical or compromising practices.
- Every CPI-HR employee has the CPI Core Values displayed in their work areas.
- Every employee needs to apply effort and intelligence in maintaining ethical values.
- Every employee must disclose any conflicts of interest regarding their position within CPI-HR.

Company-Wide Awareness

- CPI-HR will promote a trustworthy and honest atmosphere to reinforce the vision of ethics within the company.
- CPI-HR executives regularly review our ethic and integrity philosophy, as well as all core values in our CPI-HR All Employee meetings.

Maintaining Ethical Practices

- CPI-HR will reinforce the importance of the integrity message, and the tone will start at the top. Every employee, manager and executive need to consistently maintain an ethical stance and support ethical behavior.
- Employees at CPI-HR encourage open dialogue, give and get honest feedback, and act fairly with honesty and objectivity.

Unethical Behavior

- CPI-HR will avoid the intent and appearance of unethical or compromising practice in relationships, actions, and communications.
- CPI-HR will not tolerate harassment or discrimination.
- CPI-HR will not permit impropriety at any time and will act ethically and responsibly in accordance with laws.
- CPI-HR employees will not use corporate assets or business relationships for personal use or gain.
- Unauthorized use of company trade secrets and marketing, operational, personnel, financial, source code and technical information integral to the success of CPI-HR will not be tolerated.

Any employee found to have violated CPI-HR's ethics policy may be subject to disciplinary actions, up to and including termination of employment.

Administration

Employee Handbook

The Employee Handbook contains principles that guide the conduct of employees and provides details of the personnel policies and benefits offered by CPI-HR. Revisions and updates are released periodically.

Published Job Descriptions

Formal job descriptions communicate the general function and specific duties of a position. Job descriptions are evaluated and approved by the President. The position description is provided to new employees in the new hire orientation and establishes a written communication of the requirements and expectations of the position. Additionally, the job descriptions are used to establish the basis for employee performance reviews which are conducted annually.

Hiring Practices

The primary objectives of personnel recruitment are to place the most qualified person available in the vacant position and to reduce operating costs by minimizing turnover. To ensure these objectives are met, standard procedures are documented and are followed in filling any vacancy or new position within the company.

Performance Evaluations

The primary objective of a performance evaluation is to measure the performance of an individual against the objective standards established for a specific position. Consequently, the main purpose of the CPI-HR performance evaluation program is to provide an equitable method to assess an employee's job performance, discuss performance and actions to improve job performance, identify each employee's development needs, and provide for salary administration.

Training

CPI-HR is committed to training as an essential part of the success of each employee. Training is provided to employees to help them gain the product knowledge and professional skills necessary to maintain the CPI-HR standard of service excellence. Ongoing training is also conducted in many areas including:

- Hands-On Training at Mangrove and/or DataPath headquarters
- Mangrove and/or DataPath training via webinar presentations
- CPI-HR training on Web-based product
- CPI-HR training on the HR2O product
- CPI-HR training on the DataPath product
- CPI-HR training on the SAFE.net product
- CPI-HR training on Compliance
- Departmental Training
- Webinar trainings
- Seminars

Risk Assessment

CPI-HR has a risk management policy that includes daily review of events to identify threats to company success and to mitigate or eliminate negative impacts to CPI-HR. Our operational procedures, including compliance notifications, claims-processing, payroll-processing, and related banking transactions, are reviewed daily and updated as needed, for any potential risk or threat. As a result, there are continuous process improvement efforts by the management team to ensure consistent and secure daily claims and payroll processing.

Information and Communication

Information

Payroll

CPI-HR provides payroll services to clients nationwide through a web-based technology leased from Mangrove Employer Services. CPI-HR user access is controlled by a System Administrator. Employee access rights are assigned by the Administrator and require both the Administrator and the new user to sign in at first login. User access changes and/or deletions are immediately sent to Mangrove via fax (with appropriate signature) and CRM to have them reset the respective user id to a default password that is provided by Mangrove Employer Services.

New clients are assigned a Payroll Implementation Specialist who sets up new clients in the payroll system, including client specific information. The Payroll Implementation Specialist works together with the Client Service Representative and the Trainer to input all payroll processing information, assigning the appropriate personnel login access and training the client to use the technology.

CPI-HR clients are responsible for maintaining employee information, including new hires, terminations and changes; entering time, by either keying the data or via a time and attendance system; validation for accuracy of input payroll, electronic signature approval and submission.

Upon receipt of an approved payroll, CPI-HR produces the checks and ACH advices in a secured processing location. The PAY00717 audit report is printed and reviewed for accuracy. Reports are printed, per client specifications, packaged in a sealed envelope and delivered to clients by a third-party carrier. CPI-HR creates, reconciles and transmits an ACH file to the bank for processing of employee payments, taxes and invoice fees. As a final part of the payroll output process, data files are maintained in a secure environment on Mangrove Servers with redundancy in a remote location.

CPI-HR processes the tax payments, coupons and returns by using MasterTax technology. User access is controlled by a System Administrator. Employee access rights are assigned by the Administrator and the system assigns a system-generated password that then requires the new user to enter a user-identified password at first login. User access changes and/or deletions are immediately handled by the System Administrator to reset the respective user id to a MasterTax system-generated password.

Section II CPI-HR Description of Controls

The tax department runs reports daily, monthly and quarterly to reconcile tax due dates as compared to scheduled payments. Once reconciled, tax payments are either printed, along with tax coupons and/or tax returns and mailed to the respective tax agencies or an ACH file is created and sent to the bank for filing of electronic payments.

Benefits Brokerage

CPI-HR works together with the client and benefit carriers to negotiate the best rates, plan designs and customer service on behalf of the client and their employees.

CPI-HR is responsible for obtaining census data from the client and submitting to the carrier(s); consulting with client and carrier regarding plan design based on client direction; request, review, negotiate and communicate new rates at renewal; implementation of plan with both employer and employees; conduct or assist in conducting Employee Communication Meetings, as requested by client; and providing appropriate Customer Service support, as needed.

Benefits Administration

CPI-HR leases the COBRA and FSA technology from DataPath. Under our contract with DataPath, they are responsible for hosting the technology and our clients' data in a secured environment on DataPath servers; providing help desk support; troubleshooting technology issues, and assisting on customization requests.

CPI-HR user access is controlled by a System Administrator. Employer access rights are assigned by the Administrator and/or the Employer. User access changes and/or deletions are handled by CPI-HR.

COBRA

CPI-HR COBRA clients are responsible for maintaining employee information, including new hires, terminations and changes or submitting this information to CPI-HR for entry; validation of information for accuracy; submission to CPI-HR for mailings, check processing and/or claims adjudication, as required.

CPI-HR is responsible for validation of information for accuracy as submitted; transmission of batch files to DataPath for printing and mailing of notifications; and printing of checks to appropriate providers.

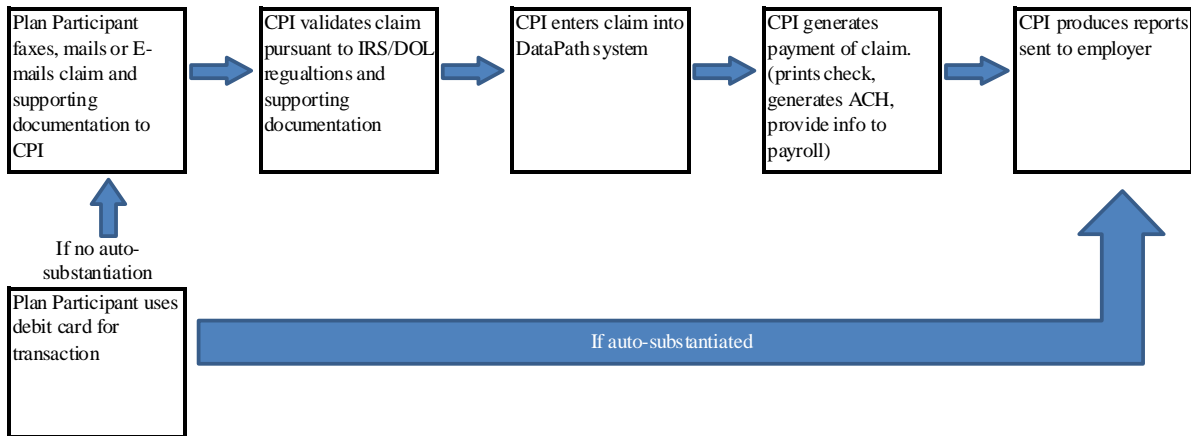
FSA

CPI-HR FSA clients are responsible for maintaining employee information, including new hires, terminations and changes or submitting this information to CPI-HR for entry; validation of information for accuracy; submission to CPI-HR for mailings, check processing and/or claims adjudication pursuant to IRS/DOL regulations, as required.

Section II CPI-HR Description of Controls

CPI-HR is responsible for validation of information for accuracy as submitted; transmission of batch files to DataPath for printing and mailing of notifications; and printing of checks to appropriate providers.

FSA CLAIMS PROCESSING



HRA

CPI-HR administration of HRA utilizes the SAFE.net technology. CPI-HR hosts this technology and our clients' data in a secured environment on CPI-HR servers. CPI-HR user access is controlled by a System Administrator. Employer access rights are assigned by the Administrator. User access changes and/or deletions are handled by CPI-HR.

CPI-HR HRA clients are responsible for verifying the plan design; notifying CPI-HR of participant adds, changes or deletes; and responsible for funding claims on a periodic basis. CPI-HR is responsible for maintaining employee information, including new hires, terminations and changes; entering claims, by either keying the data or by uploading a claims file from the carrier; validation for accuracy of input claims; printing and mailing of checks.

Operating Procedure Manuals

Several manuals enhance consistency in operating procedures and provide a reference to employees in the conduct of their daily responsibilities. The manuals maintained and updated include:

- Mangrove user reference manuals, which provide the primary resources to company staff for operational software use
- DataPath user reference manuals, which provide the primary resources to company staff for operational software use
- SAFE.net user reference manuals, which provide the primary resources to company staff for operational software use
- CPI-HR Technical Manuals, which provide the resources for internal CPI-HR policies and procedures
- New Client User Manuals, which provide resources for the Client on the web-based products.

Communication

CPI-HR has implemented various methods of communication to help ensure that employees understand their individual roles and responsibilities over processing and controls and communicate significant events in a timely manner. Employees receive a copy of the CPI-HR Employee Handbook at the start of their employment. Employees sign a Receipt and Acknowledgement of CPI-HR Employee Handbook form stating that they have received and read the manual.

The communication system between senior management and operations staff includes the use of office e-mail system, semi-monthly meetings, written memos when appropriate and Monthly Accountability Meetings. Weekly department meetings between the manager and their staff are also held to discuss new company policies and procedures and other business issues. Periodic training meetings are utilized to inform staff of new policy and technology updates. Communication is encouraged at all levels to promote the operating efficiency of CPI-HR.

Monitoring

CPI-HR's management and supervisory personnel monitor the quality of internal control performance as a routine part of their activities. To assist them in this monitoring, CPI-HR has implemented a series of management reports that measure the results of various processes involved in processing transactions for user organizations. All exceptions to normal or scheduled processing related to hardware, software or procedural problems are logged, reported and resolved daily.

- CPI-HR holds daily huddles where any exceptions are addressed with all staff and the Manager to ensure quick resolution.
- CI-HR utilizes our internal database, CPI App to log any client specific issues.
- CPI-HR holds a weekly in-depth Departmental staff meeting to discuss client issues, review controls, and discuss any needed process changes.

Control Objectives and Related Controls

CPI-HR's control objectives and related controls are included in Section IV of this report in order to eliminate the redundancy that would result from listing them in this section. Although the control objectives and related controls included are included in Section IV, they are, nevertheless, an integral part of CPI-HR's description of controls.

Section III

User Control Considerations

CPI-HR's processing of transactions and the controls over the processing were designed with the assumption that certain controls would be placed in operation at user organizations. In certain situations, the application of specific controls at user organizations is necessary to achieve certain control objectives included in this report. In such instances, the required user organization controls are identified under the related control objective in Section IV of this report.

This section describes additional controls that should be in operation at user organizations to complement the controls at CPI-HR. User auditors should determine whether user organizations have established controls to ensure that:

- Access to the payroll software and to electronic payroll data is restricted to authorized individuals.
- Payroll information is accurately input into the payroll software.
- Each payroll is reviewed for accuracy prior to being submitted for processing.
- Changes to individuals authorized to make changes on behalf of the user organization are communicated to CPI-HR timely.
- Payroll reports and supporting documentation are retained for the appropriate length of time in order to comply with all federal, state, and local compliance agencies.

The list of user organization control considerations presented above and those presented with certain specified control objectives do not represent a comprehensive set of all the controls that may be employed by user organizations. Other controls may be required at user organizations.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #1 – Application Program Change/Operating System Program Change

Controls provide reasonable assurance that the development of new applications and maintenance of existing applications (including operating system and database changes) are properly authorized, tested, approved, implemented, and documented.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Management acquires leased or purchased software from reputable software vendors.	Inquired of Management.
Management outsources the development of the SAFE software to a reputable developer and oversees the process.	Inquired of management and the third party developer.
The Administration Manager oversees the acquisition of updates to benefit administration software and ensures that all updates are downloaded and installed timely.	Inquired of the Administration Manager.
The VP of Operations oversees the acquisition of updates to Master Tax and ensures that all updates are downloaded and installed on the server timely. The workstation version of Master Tax checks the server for updated versions each day.	Inquired of the VP of Operations.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #2 – Physical Access and Back-Up

Controls provide reasonable assurance that physical access to the payroll processing center is restricted to authorized personnel and that programs and data are backed-up on a scheduled basis.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
CPI-HR utilizes a key and/or keypad access system to limit access to its facilities.	Observed facility entrances secured through key and keypad
Visitors are required to check in with the receptionist and may not enter the building unless accompanied by a CPI-HR employee.	For a sample of processing days, observed that visitors were required to check in with the receptionist and were accompanied by a CPI-HR employee during their visit.
Termination checklists are used to ensure that an individual's access privileges are revoked on the date of termination.	For a sample of terminated employees, inspected the respective termination checklist noting completed steps to remove access to the facilities. Inquired of the Building Manager and inspected the listing of employees with access codes noting that the employees were not listed.
The building is protected by a motion-sensitive alarm system managed by a third party security company. Alarm codes are unique to each employee. The Building Manager investigates any events that trigger the alarm to go off, including erroneous access codes.	Observed the motion-sensitive alarm system. Inquired of the Building Manager and inspected the log of alarm events.
Management restricts the ability to create, modify or delete the keypad access codes, alarm codes, and keys to the following positions: President, VP of Operations, and Building Manager.	Inquired of the Building Manager and inspected the location of the procedures to create, modify, or delete keypad access codes and alarm codes noting that access was restricted to the President, VP of Operations, and the Building Manager.
Management secures keys in a locked compartment that is restricted to authorized personnel. Keys reported as lost or stolen are reported to the Building Manager, President, or VP of Operations.	Observed keys in the locked compartment.
Management restricts physical access to the server room to authorized personnel. The door to the server room is kept closed and locked at all times. The server room is located in a highly visible, easily monitored location directly outside of the Building Manager's office.	Observed that the server room is located in a highly visible and easily monitored location directly outside the Building Manager's office. For a sample of processing days, observed that the server room was locked at all times.
Critical data, application code, application server operating systems, network operating systems and customer data are backed up on a regular basis using automated backup systems.	Inquired of the Managed Service Provider and observed the backup software installed on the server. Inspected the software settings noting that the system is setup to perform a backup each night.
Full backups are performed daily. Tapes are taken off site each night.	Inspected the backup log noting that daily backups are performed. For a sample of processing days, observed that tapes were taken off site each night.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #2 – Physical Access and Back-Up (Continued)

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Computer operations personnel monitor the success or failure of tape backups on a daily basis and are notified of backup job status via backup log entries and email notifications.	Inquired of the Managed Service Provider and the Building Manager and inspected email notifications of backup job status.
Restores are performed as a component of normal business operations to verify that system components can be recovered from backup media.	Inquired of the Managed Service Provider and observed the process of restoring information from the backup tapes.
Management maintains documented backup and tape rotation schedules for performing required tape rotation activities.	Inspected the documented backup and tape rotation procedures.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #3 – Logical Access

Controls provide reasonable assurance that logical access to production applications and data is limited to authorized individuals.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Network users are authenticated via an authorized network ID and password before being granted access to the network domain.	For a sample of employees, observed that a user ID and password were required to access the network.
Network passwords must conform to minimum complexity requirements and are subject to minimum history requirements that prevent the user from reusing a set amount of previously used passwords.	For a sample of days, inspected network setup parameters noting that passwords required minimum complexity and were subject to minimum history requirements.
The network operating system resets user passwords at predetermined interval levels.	For a sample of days, inspected network setup parameters noting that the system was setup to reset user passwords at predetermined intervals.
Network IDs are automatically locked out for a defined period of time after a certain number of invalid login attempts.	For a sample of days, inspected network setup parameters noting that the system was setup to lock out users for a defined period of time after a certain number of invalid login attempts.
Management restricts access to data and application files maintained on the network based on job responsibility.	Inspected data and application files on the network noting that access was restricted through domain security based upon job responsibility.
Network domain administrator rights are restricted to the following: Administration Manager, VP of Operations, and third party managed network service provider.	Inquired of the Administration Manager, VP of Operations, and Managed Service Provider.
Network management personnel notify the managed service provider to deactivate network accounts assigned to terminated employees upon notice of the termination. Termination checklists are used to ensure that application access is removed on the date of termination.	For a sample of terminated employees, inspected the respective termination checklist noting completed steps to remove access to the network. Inspected work orders from the Managed Service Provider showing that access was removed.
CPI-HR uses third party services to monitor and manage security incidents and the related responses 24/7. CPI-HR is notified by that third party of any attacks or vulnerabilities.	Inquired of the Managed Service Provider and Administration Manager.
A firewall is in place to control network traffic and prevent unauthorized traffic from passing between the internal network and external networks. Internet traffic is not allowed to originate from external IP addresses; only outbound internet traffic is allowed to pass through the CPI-HR firewall system	Inquired of the Managed Service Provider and observed the firewall. Inspected the firewall settings.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #3 – Logical Access (Continued)

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Access to payroll production applications is controlled through user ID and passwords.	Observed the payroll application noting that user IDs and passwords were required to gain access.
Access to benefit administration applications is controlled through passwords. The applications are only installed on the computers of employees who require them as part of their job responsibilities.	Observed benefit administration software noting that passwords were required to gain access. Inquired of the Administration Manager. Observed that the software was only installed on administration department personnel computers.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #4 – Payroll Withholding

Controls provide reasonable assurance that applicable tax rates are used to process payroll deductions for local withholding calculations.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
As part of the new payroll client implementation procedures, the Customer Service Representative responsible for the client confirms the tax setup with the client and obtains a “Tax Filing Acceptance Form”.	Inquired of Customer Service Representative and inspected new payroll client implementation documentation noting signed Tax Filing Acceptance forms.
Annually, tax filing information on record, including applicable rates, is sent to each payroll client to be updated and changed as necessary.	Inquired of the VP of Operations and inspected documentation of existing tax information sent to clients for updating.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- New user organizations are responsible for establishing controls at the user organization to ensure that the tax setup is reviewed for accuracy and that the “Tax Filing Acceptance Form” is returned timely.
- User organizations are responsible for establishing controls at the user organization to ensure that, annually, the tax filing information, including applicable rates, is reviewed for accuracy.
- User organizations are responsible for establishing controls at the user organization to ensure that changes to tax filing information and rates are communicated to CPI-HR timely.

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #5 – Checks and Output Reports

Controls provide reasonable assurance that client payroll checks and output reports are printed completely and accurately, and are distributed in accordance with client specifications.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Client specified shipping instructions are input into the payroll software and are printed on the cover page of the payroll reports. The Packaging & Distribution Manager uses this report to package the payroll in accordance with client specifications.	Inquired of the Packaging & Distribution Manager. For a sample of processing days, inspected payroll reports noting that the client specified shipping instructions are printed on the cover page. Observed that the Packaging & Distribution Manager packaged and shipped the payroll in accordance with the instructions.
For clients that have check stuffing performed by CPI-HR, the total from the check stuffing machine is compared to the total of payment forms printed as listed in the payroll report.	Inquired of the Packaging & Distribution Manager. For a sample of processing days, observed that the total from the check stuffing machine was compared to the total of payment forms printed as listed in the payroll report.
The Packaging & Distribution Manager compares all packages to the activity report to ensure all scheduled and run payrolls are shipped.	Inquired of the Packaging & Distribution Manager. For a sample of processing days, observed that the packages were compared to the activity report.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that payroll reports received from CPI-HR are reviewed for accuracy and that any discrepancies are communicated to CPI-HR in a timely manner.
- User organizations are responsible for establishing controls at the user organization to ensure that changes to shipping instructions are communicated to CPI-HR in a timely manner.

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #6 – Scheduling and Payroll Data

Controls provide reasonable assurance that payroll is scheduled appropriately and that data is processed completely and accurately in accordance with client specifications.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
The payroll processing calendar is provided annually to each client for their review and approval.	Inquired of Customer Service Representatives.
Activity reports are printed and reviewed daily by the responsible Customer Service Representative to ensure all scheduled payrolls are run.	For a sample of processing days, inspected the completed activity reports. For a sample of processing days, observed Customer Service Representatives review the activity report.
The Customer Service Representative calls any clients that have not run by 2:00pm of the day they are scheduled to process.	For a sample of processing days, observed Customer Service Representatives call clients that did not run by 2:00pm.
The activity report is reviewed by the Customer Service Representatives during a daily “huddle” to verify all scheduled payrolls have run; for any discrepancies, the client is contacted and either processed or rescheduled.	For a sample of processing days, observed Customer Service Representatives review the activity report in a daily “huddle”. For a sample of processing days, Inspected the daily huddle agenda and related activity report noting that discrepancies and related resolutions were documented.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that the annual payroll calendar is reviewed and that any changes are communicated to CPI-HR in a timely manner.
- User organizations are responsible for establishing controls at the user organization to ensure that payroll data is submitted in accordance with the mutually agreed upon schedule.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #7 – Payment

Controls provide reasonable assurance that ACH transactions processed on the user organization’s account are complete and accurate.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Daily, the ACH file is balanced to the totals of the day’s payrolls prior to being transmitted to the bank.	For a sample of processing days, obtained the daily balancing documentation. Inspected the documentation noting that the ACH file was balanced to the total of the respective day’s payroll prior to transmission to the bank.
ACH transmissions are limited to the President, Bookkeeper, and Banking Manager.	Inspected the bank website noting that only the President, Bookkeeper, and Banking Manager were setup with user IDs.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that banking information provided to CPI-HR is accurate and that changes to this information is communicated to CPI-HR timely.
- User organizations are responsible for establishing controls at the user organization to ensure that sufficient funds are available in the specified bank account.
- User organizations are responsible for establishing controls at the user organization to ensure that the user organization’s bank account is reconciled timely.

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #8 – Tax Reconciliation

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

Controls Specified by CPI-HR	Tests of Operating Effectiveness
The Payroll Manager runs the tax liability report daily, which is sorted by tax type and identifies clients with tax deposits due for a selected date range. The tax department validates the client tax liability report against the remitted deposits to ensure all amounts were remitted appropriately.	For a sample of processing days, verified that the tax department validated the tax liability report against the remitted deposits by inspecting the tax liability report and comparing to the remitted deposit report.
The Banking Manager and Payroll Manager monitor the \$100,000 liability threshold daily to ensure that all clients whose tax deposits exceed \$100,000 next day filing threshold are deposited timely.	Inquired of the Banking Manager and Payroll Manager. For a sample of processing days, inspected daily balancing documentation noting completed procedure to monitor the \$100,000 liability threshold.
The Customer Service Representatives run reconciliation reports for gross wages, taxable wages and tax liabilities daily to ensure no out-of-balances are created by any given payroll; discrepancies are researched and resolved no later than the next payroll run.	For a sample of processing days, inspected reconciliation reports for gross wages, taxable wages and tax liabilities. Verified that discrepancies were researched and resolved.
The tax department utilizes reconciliation reports for quarter to date and year to date tax return processing with gross wages and taxable wages for all clients per the payroll reports prior to submittal of returns to tax agencies.	Inquired of tax department personnel. For a sample of tax return processing periods, inspected reconciliation reports used by the tax department prior to the submission of tax returns to agencies.
The tax department uses checklists organized by tax code and client to ensure that all monthly, quarterly, and annual tax returns are filed timely.	For a sample of processing periods, inspected checklists organized by tax code used by the tax department to ensure that all monthly, quarterly, and annual tax returns were filed timely.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Consideration:

- User organizations are responsible for establishing controls at the user organization to ensure that relevant correspondence with tax agencies is submitted to CPI-HR timely.

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #9 – Tax Escrow and Trust Funds

Controls provide reasonable assurance that the tax escrow and trust funds are properly accounted for and the bank activity is reviewed in a timely manner.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Tax escrow/vendor payments and net pay amounts are maintained in separate bank accounts.	Inspected bank statements noting that the escrow/vendor payments and net pay amounts are maintained in separate bank account. Inspected software settings noting that impounded amounts for escrow/vendor payments and net pay amounts are setup in separate accounts.
Deposits to the escrow and net pay accounts are balanced daily by the Banking Manager using procedure checklists. The VP of Operations reviews the daily checklists and signoffs.	Inquired of the Banking Manager. For a sample of processing days, obtained daily balancing documentation including checklists noting that the documentation was reviewed.
The net pay account is analyzed for uncashed checks on a monthly basis by the Banking Manager.	Inquired of the Banking Manager. For a sample of months, inspected documentation of the review of uncashed checks of the net pay account.
The escrow account is analyzed for uncashed checks on a quarterly basis by the Banking Manager.	Inquired of the Banking Manager. For a sample of quarters, inspected documentation of the review of uncashed checks of the escrow account.
The escrow and net pay account activity is monitored online daily by the Banking Manager.	For a sample of days, observed the Banking Manager monitor the bank account activity online.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #10 – Payroll Client Setup

Controls provide reasonable assurance that user organization data is initially setup completely and accurately and the payroll is properly tested prior to being put into production.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
CPI-HR utilizes standard new client checklists to gather payroll information from the client.	For a sample of new payroll clients, inspected client implementation documentation noting standard new client checklists.
The Payroll Manager or Customer Service Representative reviews all company information and employee demographics in the payroll software for accuracy and completeness prior to the first payroll run.	Inquired of the Payroll Manager. For a sample of new payroll clients, inspected client implementation documentation noting review of company information and employee demographics prior to the first payroll run
A CPI-HR employee performs at least one parallel payroll prior to fully implementing a new client.	For a sample of new payroll clients, inspected client implementation documentation noting that a parallel payroll was performed prior to fully implementing a new client.
A CPI-HR employee performs a reconciliation process for year to date wages, quarter to date wages and tax liabilities for clients implemented at any time during the year other than January 1.	For a sample of new payroll clients not implemented on January 1, inspected client implementation documentation noting that a reconciliation of year to date wages, quarter to date wages, and tax liabilities was performed.
Tax filing frequency, account numbers, year to date wages and tax liabilities are reviewed by the tax department prior to the first payroll run.	For a sample of new payroll clients, inspected client implementation documentation noting that tax filing frequency, account numbers, year to date wages, and tax liabilities were reviewed prior to the first payroll run.
The Payroll Manager performs a final quality review of all new clients prior to the first payroll run.	For a sample of new payroll clients, inspected client implementation documentation noting that a final quality review was performed prior to the first payroll run.
Clients' first payroll run is performed with the assistance and/or review of a payroll Customer Service Representative.	For a sample of new payroll clients, observed that the first payroll was performed with the assistance of a Customer Service Representative.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Consideration:

- New user organizations are responsible for establishing controls at the user organization to ensure that the initial payroll is reviewed for accuracy and the discrepancies are communicated to CPI-HR in a timely manner.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #11 – Benefit Brokerage

Controls provide reasonable assurance that user organization data necessary for benefit brokerage services is complete and accurate.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Benefit Consultants use New Business/Renewal Implementation Checklists to ensure that all necessary information is collected including: Agent of Record Letter, applications, claims experience, employer risk assessment forms, and authorized rate sheets.	For a sample of Benefit Brokerage clients, inspected client files noting completed New Business/Renewal Implementation Checklists.
Benefit Consultants use New Business/Renewal Implementation Checklists to ensure that required processes have been completed including: notifying current carrier of intent to terminate, client, employee and administrative meetings, and completion of compliance notifications.	For a sample of Benefit Brokerage clients, inspected client files noting completed New Business/Renewal Implementation Checklists.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

Section IV
Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #12 – HRA Administration

Controls provide reasonable assurance that HRA administration services are complete and accurate.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Formal processes for client implementation have been established and implemented.	Inquired of the Administration Manager and benefit administration personnel. Inspected documented client implementation procedures. For a sample of new clients, inspected client implementation documentation noting completed implementation checklists.
Changes to enrollment information are compared to insurance company listings prior to updating the SAFE software.	Inquired of benefit administration personnel. Observed the process of comparing enrollee information to insurance company listings prior to updating the SAFE software.
System edit checks are performed on claims by the SAFE software. Formal processes for claims adjudication are in place.	Observed the entry of claims noting that the software flagged claims where the patient did not match an enrollee in the software and where claim dates were outside of a given plan year. Inquired of benefit administration personnel and inspected documented claims adjudication procedures.
HRA batches are reviewed by the Administration Manager prior to finalization.	Inquired of the Administration Manager and benefit administration personnel. Observed the process of reviewing HRA batches performed by the Administration Manager.
Checks are not released until confirmation of funding has been received from the client.	For a sample of claims batches, inspected confirmations of funding received from clients noting receipt prior to release of the respective checks.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that enrollment information including changes is communicated to CPI-HR timely.
- User organizations are responsible for establishing controls at the user organization to ensure that sufficient funds are available in the specified bank account and that confirmation of funding is communicated to CPI-HR timely.
- User organizations are responsible for establishing controls at the user organization to ensure that reports of pending reimbursements are reviewed.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #13 – FSA Administration

Controls provide reasonable assurance that FSA administration services are complete and accurate.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Formal processes for client implementation have been established and implemented.	Inquired of the Administration Manager and benefit administration personnel. Inspected documented client implementation procedures. For a sample of new clients, inspected client implementation documentation noting completed implementation checklists.
Formal processes for participant contributions have been established and implemented.	Inquired of benefit administration personnel. Inspected documented participant contribution procedures and observed the process.
System edit checks are performed on claims by the Datapath software. Formal processes for claims adjudication pursuant to IRS/DOL regulations are in place.	Inquired of benefit administration personnel. Inspected documented claims adjudication procedures and observed the process. For a sample of claims batches, inspected claim documentation noting that claim adjudication procedures were followed. Observed the entry of claims in the software noting that the software flagged claims where the claim dates were outside a given plan year and where claims were in excess of the participant’s annual election.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that enrollment information including changes is communicated to CPI-HR timely and that the annual election report is reviewed for accuracy.
- User organizations are responsible for establishing controls at the user organization to ensure that contribution reports are reviewed for accuracy.

Section IV
 Control Objectives, Related Controls and Tests of Operating Effectiveness

Control Objective #14 – COBRA Administration

Controls provide reasonable assurance that COBRA administration services are complete and accurate.

Controls Specified by CPI-HR	Tests of Operating Effectiveness
Formal processes for billings of premiums, processing of receipts, and remittance to employers have been established and implemented.	Inquired of the Administration Manager and benefit administration personnel. Inspected documented procedures for the billing of premiums, processing of receipts, and remittance to employers. For a sample of transactions, inspected supporting documentation noting that procedures for billing of premiums, processing of receipts, and remittance to employers were followed.
Formal processes for the transmission of required COBRA notifications have been established and implemented.	Inquired of the Administration Manager and benefit administration personnel. Inspected documented procedures for the transmission of required COBRA notifications. For a sample of initial notifications and qualifying event notifications, inspected supporting documentation noting that procedures for the transmission of required COBRA notifications were followed.

Results of Tests of Operating Effectiveness: No relevant exceptions noted

User Control Considerations:

- User organizations are responsible for establishing controls at the user organization to ensure that initial notification and qualifying event forms are communicated to CPI-HR timely.
- User organizations are responsible for establishing controls at the user organization to ensure that insurance rates, including changes are communicated to CPI-HR timely.