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AMI BENEFIT PLAN ADMINISTRATORS, INC.  
DAILY VALUATION RECORDKEEPING  
REPORT ON CONTROL POLICIES AND PROCEDURES  
PLACED IN OPERATION AND TESTS OF  
OPERATING EFFECTIVENESS

FOR THE PERIOD APRIL 1, 2009,  
THROUGH MARCH 31, 2010

AMI BENEFIT PLAN ADMINISTRATORS, INC.

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AMI BENEFIT PLAN ADMINISTRATORS, INC.

Independent Service Auditors' Report

We have examined the accompanying description of controls related to the Daily Valuation Recordkeeping application of AMI Benefit Plan Administrators, Inc. (AMI). Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of AMI'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 AMI's controls; and (3) such controls had been placed in operation as of March 31, 2010. AMI uses outside service organizations (1) for the maintenance of the Relius and Datair applications; (2) to provide network communication services; (3) to obtain information for the pricing of securities; and (4) to perform various functions related to the custody of securities. The accompanying description includes only those control objectives and related controls of AMI, and does not include control objectives and related controls of outside service organizations. Our examination did not extend to controls at outside service organizations. The control objectives were specified by the management of AMI. 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 AMI's controls that had been placed in operation as of March 31, 2010. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified controls would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of AMI's controls.

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 III, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from April 1, 2009, to March 31, 2010. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information has been provided to user organizations of AMI 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 III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified in Section III were achieved during the period from April 1, 2009, to March 31, 2010. However, the scope of our engagement did not include tests to determine whether control objectives not listed in Section III were achieved; accordingly, we express no opinion on the achievement of control objectives not included in Section III.

The relative effectiveness and significance of specific controls of AMI 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 AMI is as of March 31, 2010, and information about tests of operating effectiveness of specified controls covers the period from April 1, 2009, to March 31, 2010. Any projection of such information to the future is subject to the risk that, because of changes, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at AMI 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 may alter the validity of such conclusions.

This report is intended solely for use by the management of AMI, its users, and the independent auditors of its users.

*Cohen & Company*

June 30, 2010  
Cleveland, Ohio

## SECTION II

### DESCRIPTION OF SERVICES AND GENERAL CONTROL ENVIRONMENT PROVIDED BY AMI BENEFIT PLAN ADMINISTRATORS, INC.

#### OVERVIEW OF OPERATIONS

AMI Benefit Plan Administrators, Inc. (AMI) is located in Cortland, Ohio, and specializes in comprehensive pension plan administration and management. AMI administers all types of pension plans, including 401(k), profit sharing, money purchase, employee stock ownership, defined benefit, 403(b), 457, prevailing wage, safe harbor, and cross-tested plans.

AMI enjoys four significant competitive advantages in the marketplace:

- **Philosophy** – AMI's focus on practical, accessible, and interactive client service forms the basis of their standards, policies, and procedures. AMI places an overall emphasis on clarity of purpose, communication, and training. AMI's client-centered philosophy has resulted in an organization with rich technical, services, systems, and intellectual capacity.
- **Industry Niche** – AMI's singular focus on pension plan administration and management has promoted a deep understanding of, and commitment to, this industry niche. Due to AMI's clarity of focus, the firm has built long-term relationships and designed effective systems and procedures. Since 1979, AMI has demonstrated an active commitment to advance in the field of pension plan administration and management.
- **Relationship Investment** – AMI has carefully orchestrated interdependent relationships to ensure high technical standards, as well as consistent client service. Attention to relationship management has focused on the stakeholders, oversight groups, and partners:
  - AMI clients and participants
  - Dedicated AMI client service teams and staff
  - Internal Revenue Service
  - Department of Labor
  - ERISA legal firms
  - Service partners, including financial service firms, broker dealers, mutual fund companies, software firms, and others

AMI's cooperation with the players in the pension plan administration and management value chain has sustained their stability and credibility within the marketplace. What's more, the firm's multi-disciplinary client service teams have an average of 13 years of experience and minimal turnover. The development of "AMI University" internal training further indicates a commitment to relationship-building and sustained business operations.

- **Progressive management** – The firm’s progressive and proactive use of integrated communications in all media include:
  - Web site
  - Call center (live and voice response system)
  - Email
  - Traditional mail

The firm employs a full-time internal technology staff and supports the business with continuously monitored custom software. AMI’s interactive approach to client service, combined with technical quality, has led to a high client retention record, with the exception of clients under new ownership or where plans closed. The leadership of the management is reflected in a business model built on client service teams supported by quality standards.

## RELEVANT ASPECTS OF THE CONTROL ENVIRONMENT ELEMENTS, RISK ASSESSMENT, MONITORING, AND INFORMATION AND COMMUNICATION

### CONTROL ENVIRONMENT ELEMENTS

#### Plan Administration

The proper control environment provides employers with assurance that information is kept confidential and transactions are processed and accounted for timely and accurately. The control environment reflects the overall AMI philosophy of a team approach to pension plan administration and management.

The team leaders and team members are aware of the importance of controls and frequently review the controls to ensure compliance. Teams work together to provide service to pension plans (See Exhibit A). The team leaders have the responsibility for facilitating the development, maintenance, and documentation of internal control policies and procedures. Forms and procedures are available to all AMI personnel through the customized database which is categorized by team.

The team environment incorporated by AMI is established so that no one person is responsible for all functions related to a plan. Instead, the entire organization is responsible for plan and participant servicing. The following is a listing of the separate AMI teams by function:

- **Plan administration** – This team is responsible for compliance and reporting.

The primary law applicable to employee benefit plans can be found in ERISA (Employee Retirement Income Security Act of 1974, as amended). ERISA covers most private sector employee benefit plans.

AMI provides the following plan administration services to qualified retirement plans:

- Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests
- Top heavy test
- Coverage test
- Annual additions limits
- 402(g) monitoring
- Completion and filing of IRS form 5500 and schedules
- Annual reports – Summary Annual Report (SAR), participant statements, test reports
- Testing corrections – computing refunds and/or additional deposits
- Allocations – profit sharing, forfeiture, matching, cross-tested, money purchase, safe harbor, defined benefit
- Plan design and installation – Plan document, Summary Plan Description (SPD), 5300 series filings, plan amendments/restatements
- Benefit and Required Minimum Distribution (RMD) calculations

- **Co-ordination** – This team is comprised of members of the other teams and is responsible for coordinating all of the teams together as well as the following:
  - New plan conversions
  - Plan closures
  - Plan funding changes
  - Other plans that need special services
  - Plan documents
  - Summary Plan Description (SPD)
  - Amendments/restatements
  
- **Plan management** – This team is responsible for the initial contracting with employers, financial transactions, and daily valuation, including:
  - Contracting with employers
  - Updating daily unit values
  - Ordering and confirming transactions
  - Participant level and plan level trades
  - Investment allocations
  - PIN maintenance
  - Internet maintenance
  - Quarterly participant and management reports
  - Ordering distributions for loans and withdrawals
  - Contribution processing
  - Enrollments
  - Distribution processing
  - Loan processing
  - Participant demographic changes
  - Customer service

Plan management services include those items that are required for a successful retirement plan that cannot be accomplished by plan administration alone:

- Participants communicate directly with the members of the AMI plan management team (both in English and Spanish)
- AMI certifies and prepares all paperwork necessary to document and process terminations, loans, hardships, Qualified Domestic Relations Orders (QDROs), and other withdrawals
- Enrollment services include customized paycheck illustrations, assembly of enrollment kits, determining eligibility, and customized enrollment forms
- Processing of participant service requests (increasing/decreasing deferrals, beneficiary changes, and name/address changes)
- Daily recordkeeping services: VRU (voice response unit in English and Spanish) and internet access (in English and Spanish) for information and execution of daily trades; investment options, and quarterly compliance newsletters for participants
- Interpretation of the plan document and how it relates to services requested
- Flexibility in the method of providing data to AMI. AMI can accept data electronically, by fax, or mail

- **Information Technology Team** – This team is responsible for the implementation and service of the technology utilized by AMI, including hardware, software (writing new programs and program enhancements), network (workstations, servers, and connections), internet, and email servers.

### **Recordkeeping System**

AMI maintains 4 software systems to provide plan services. These software systems are coordinated to allow an easy flow of information from one system to the other.

- **AMI Software** – This software has been custom written to provide comprehensive plan management services. This software undergoes constant improvements. An internal information technology team is responsible for maintaining and upgrading this software.
- **Datair** – This software provides the plan document, compliance testing, and reporting functions.
- **SunGard Software – Relius** – This software provides the daily recordkeeping environment. This software is the platform for the financial transactions related to the plan, including the internet access.
- **Schwablink Software** – This software provides trading links for certain plans.

### **Training**

Training is provided on an ongoing, continuous basis. Team members begin their training by learning one function of their team's responsibilities and continuing until they are fully cross-trained within their team. In addition, classes are conducted frequently through AMI University. Topics are chosen based upon law changes and/or recommendations from team leaders. Training sessions from outside vendors are also attended. AMI employees are also encouraged to obtain pension related designations.

### **Procedure Controls**

There are written procedures for all significant team functions that incorporate pertinent forms and checklists. AMI employees are required to complete the relevant checklist each time a function is performed. Most checklists require a secondary review before completion.

### **Software Controls**

AMI has software that utilizes validation features. Most processes are reviewed electronically as well as by use of a checklist.

### **Employer Communication**

The plan management services that AMI provides require a substantial amount of communication with employers via the phone, fax, email, and mail. In addition, AMI publishes Benefit Bulletins which include regulatory and procedural updates concerning the administration

and management of pension plans. This employer communication allows AMI to identify potential problems and to address them immediately.

### **Other Control Elements**

All incoming faxes are logged. The number of pages received must match the number of pages as indicated on the cover sheet. If the number of pages does not match, the sender is contacted. Faxes are processed through an internet site that verifies when the fax has been processed and saves it for further review and verification.

Incoming contribution data and distribution requests are logged and tracked to ensure completion in a timely manner. Incomplete data is noted and resolved with the employer.

Phone conversations are written on a "Call Tracking Form" immediately after each call. Copies of these forms are turned into management every day for review.

AMI does not have check writing capabilities for the funds. Money is ordered via ACH from the employer's bank directly to the clearing house. Checks are issued from the clearing house. A valid employer authorization must be received and verified by both the plan management and the new business/daily processing teams before any distributions are requested from the clearing house. Participants, plan sponsors and financial representatives can enter an inquiry via the web. These inquiries and their responses are scanned into the appropriate folder.

### **RISK ASSESSMENT**

The team leaders meet regularly to review long and short-term goals of the organization. This includes assessing overall operations and planning to limit risk.

AMI maintains insurance coverage against major risks in addition to professional liability coverage. These coverages are reviewed annually.

### **MONITORING**

AMI's management personnel monitor the quality of employer and participant data transmissions as a routine part of their activities. To assist in monitoring, AMI has implemented various checklists that measure the results of various processes involved in processing participant data, timely and accurately.

### **INFORMATION AND COMMUNICATION**

Information is identified, captured, processed, and reported by information systems. Communication with plan sponsors is vital to the success of AMI. AMI expects employees to communicate with employers, management, and other employees in an honest manner. The accuracy of participant data is key to the quality of services AMI is able to offer employers. Employees are required to adhere to AMI policies and procedures designed to ensure that all participant data is maintained accurately and completely.

## **CONTROL OBJECTIVES, RELATED POLICIES AND PROCEDURES, AND USER CONTROL CONSIDERATIONS**

AMI's control objectives and related policies and procedures are included in Section III of this report "Information Provided by the Service Auditor," to eliminate the redundancy that would result from listing them here in Section II and repeating them in Section III. Although the control objectives and related policies and procedures are included in Section III, they are, nevertheless, an integral part of AMI's description of controls.

### **USER CONTROL CONSIDERATIONS**

AMI's processing of transactions and compliance testing, and the controls over that processing, were designed with the assumption that certain internal controls would be placed in operation at plan sponsor organizations. In certain situations, the application of specified internal controls at plan sponsor organizations is necessary to achieve certain control objectives included in this report.

This section describes some of the internal controls that should be in operation at plan sponsor organizations to complement the controls at AMI. User auditors should determine whether plan sponsors have established internal controls as follows:

- Plan sponsors are responsible for properly enrolling all newly eligible participants.
- Plan sponsors are responsible for informing AMI of participant demographic changes.
- Plan sponsors must provide AMI with accurate and timely data regarding employee hours, compensation, deferrals, and status information.
- Plan sponsors must approve all plan distributions.
- Plan sponsors are responsible for providing timely contribution information to AMI. In addition, the plan sponsor is responsible for ensuring the cash is available for transfer.
- Plan sponsors must operate the plan in a method that complies with the plan document and all relevant regulations.
- Plan sponsors must review reports issued by AMI. The plan sponsor is responsible for notifying AMI of any changes or discrepancies in a timely manner.
- Plan sponsors must review the newsletters, Benefit Bulletins, and other correspondence issued by AMI. Information concerning general regulatory changes and issues specific to the sponsor will be included in the newsletters and/or specific correspondence.
- Plan sponsors must make all relevant decisions with appropriate professional advisors concerning plan investment funds and policies.
- Plan sponsors must notify AMI of any changes to plan document features.

## **SECTION III**

### **INFORMATION PROVIDED BY THE SERVICE AUDITOR**

#### **Introduction**

This report on controls placed in operation and tests of operating effectiveness is intended to provide user auditors with information sufficient to obtain an understanding of those aspects of AMI's controls that may be relevant to a user organization's control policies and procedures. This report, when coupled with an understanding of the control policies and procedures in place at user organizations, is intended to assist in the assessment of the total control policies and procedures surrounding transactions processed by AMI.

Our examination was restricted to specific objectives selected by AMI. Our examination was conducted in accordance with Statement on Auditing Standards (SAS) No. 70, as amended, "Reports on the Processing of Transactions by Service Organizations," of the American Institute of Certified Public Accountants. It is each user auditor's responsibility to evaluate this information in relation to internal controls in place at user organizations to obtain an understanding of the internal controls and assess control risk. The user organizations and AMI's controls must be evaluated together. If effective user organizations' internal controls are not in place, AMI's controls may not compensate for such weaknesses.

Our examination included inquiry of appropriate management, supervisory, and staff personnel; inspection of documents and records; observations of activities and operations; and tests of certain controls of AMI. Our tests covered transactions processed during the period from April 1, 2009, to March 31, 2010. Due to the period covered for certain plans, our tests, if applicable, covered 2008 year-end processing completed after April 1, 2009, and/or 2009 year-end processing completed prior to March 31, 2010.

## **CONTROL OBJECTIVES, RELATED CONTROLS, AND TESTS OF OPERATING EFFECTIVENESS**

### **Tests of Operating Effectiveness**

#### **Control Environment**

In addition to the tests of operating effectiveness of specified controls described in this section, our procedures included consideration and tests of the following relevant elements of AMI's control environment:

- Organizational structure
- Personnel policies and practices
- Management's control methods for monitoring and following up on performance
- Protection of physical assets

Such tests included inquiry of appropriate management, supervisory, and staff personnel, inspection of AMI's documents and records, and observation of AMI's activities and operations. The inquiries noted in the testing were performed by the auditor with the CEO/CFO and Operations Team Leader, President and Co-ordination Team Leader, IT Team, Plan Administration Team Leader, Plan Management Team (PMT) Team Leader, or other applicable team members. The results of these tests were considered in planning the nature, timing, and extent of our tests of the specified controls related to the control objectives described below.

#### **System Controls**

##### **System Development and Maintenance**

###### **Control Objective # 1**

Controls provide reasonable assurance that security of AMI and customer information is administered in accordance with AMI's expectations relating to confidentiality and sensitive information as well as contracted authorization. In addition, controls provide that AMI employees understand their specific responsibilities related to the handling of sensitive information.

##### **Description of Controls**

###### **Organization Structure**

AMI has an Organizational Chart (see Appendix A) that illustrates job positions and reporting hierarchy. The purpose of this illustration is to provide assistance in identifying areas of responsibilities and escalation of issues from a personnel perspective.

### Team Functions

AMI has documented procedures for all significant team functions within the Plan Administration, Coordination, and Plan Management Teams. These procedures are reviewed periodically and incorporated into team training.

### Personnel Manual

AMI has a Personnel Manual that identifies employee responsibilities related to securing Company and customer information. In addition, employees must acknowledge their responsibilities in writing by signing the Acknowledgement of Receipt of Employee Manual, indicating they understand what is expected related to proper handling of Company and customer information and the disciplinary actions that could result if the policy is violated.

### Policy Statements

AMI has Policy Statements that identify requirements for accessing and managing Company and customer information either electronically or on printed documents. Employees are notified in writing regarding the policies established to protect Company and customer information either electronically or on printed documents annually.

### **Test of Operating Effectiveness**

- Inspected a copy of the AMI Organizational Chart.
- Inspected a copy of the AMI Personnel Manual.
- Inspected written procedures for all significant team functions.
- Inquired of 3 employees that the Personnel Manual had been distributed and that the employees understood the contents of the document.
- Observed that 3 employees had a signed copy of the Acknowledgement of Receipt of Employee Manual included in their personnel files.
- Inspected 3 employees' signed Employee Compliance Policy Statement, which includes network security policies and confidentiality.
- Inquired of 3 employees to determine that the policy noted in the Employee Compliance Policy Statement was understood and integrated into the daily processing function.
- Inquired of the Internal Information Technology (IT) Team that procedures within the policy statements were being followed.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 2**

Controls provide reasonable assurance that changes to existing software applications are authorized, tested, approved, properly implemented, and documented.

## **Description of Controls**

### AMI Software – Qualified Plans Switchboard and System Development Cycle

This software has been custom written to provide comprehensive plan management services. The IT Team is responsible for maintaining and updating the system. The AMI team leaders are responsible for assisting in the design elements and requesting software updates based upon law or procedural changes as well as requesting software updates to improve functionality.

All programming changes are made on workstations in the data center (which constitute the test environment). All new versions are given a unique version number based on the date of the programming change. Once the changes are completed and tested, they are “pushed” to the live workstations via the IT Team. A copy of the previous version is retained on the file server to act as a back-up in case of erroneous processing in the live environment. Once complete, the IT staff signs the change request form and archives it. All source code is included in the daily back-up and stored off-site. All program change requests from the user community are submitted on a formal request form. All changes are approved by management prior to commencement of development. The IT team documents any system problems and makes the necessary corrections. AMI personnel have access to the IT Team when a problem occurs.

### Datair Software

AMI utilizes several modules of software from Datair for compliance testing and reporting. The software vendor provides all enhancements or customization of the software. If there is a need for enhancements, Datair is contacted via phone or email by the IT Team. A description of the problem is given. Datair will try to replicate the problem at their offices. A solution will be received either as a phone call or an emailed software patch. Common software patches are available on the internet.

### SunGard Software – Relius

AMI utilizes this software for daily transactions processing in an Application Service Provider (ASP) environment. The software vendor, SunGard, provides all enhancements or customizations of Relius, the recordkeeping application. If there is a need for any enhancements, such as for program errors, or efficiency modifications, a request is sent to SunGard to make the change. AMI has the ability to make report modifications via the embedded Crystal Reports software.

SunGard documents any reported system problems for upgrades. The documentation includes the time and date of the report in order to identify problem patterns and as a reference for recurring issues. The vendor uses web-based interfaces for AMI to report problems. After authenticating with a User ID and password, AMI opens an incident report by completing a form. If clarification is required, SunGard calls or emails AMI for more information. SunGard communicates the problem resolution via phone or email and updates the incident report on the web.

SunGard makes enhancements as part of the service contract and updates the system on a regular basis via the ASP system.

## Schwablink Software

Schwab's IT team is contacted if any problem arises with its software. Schwab sends any patch that would be required.

### **Test of Operating Effectiveness**

- Conducted inquiries with the IT Team to confirm that the above control procedures were operating effectively throughout the period.
- Inquired of the IT Team regarding any software changes/modifications from the period April 1, 2009, through March 31, 2010, and how those changes were requested.
- Inspected the log of change requests for the period April 1, 2009, through March 31, 2010.
- Inspected 3 change request forms for the AMI software/database for the description of the software change, management approval signature prior to the commencement of development, and the IT Team's initials that the change had been completed.
- Inspected a change request for the unique version number based on the date of change.
- Inquired of the IT Team that software changes are tested in a test environment prior to moving the changes to employee workstations.
- Observed the testing environment to confirm that it is not a live database.
- Observed the list of users to ensure only IT members have administrative access to Active Directory.
- Inspected the daily offsite system backup from the offsite storage service and the server to server in house system back-up for the previous night's backup and the latest version of the AMI software source code.
- Inquired of the IT Team to confirm that they do not have access to Datair, Relius or Schwab source code.
- Inquired of the IT Team regarding vendor software issue resolutions and the timeliness of installation of software patches from the vendor, and that they are received via email or disk.
- Inspected the current Datair and Relius support contracts to confirm that the contracts are current through March 31, 2010.
- Inspected the "Report on Controls Placed in Operation and Tests of Operating Effectiveness for Relius Administration, Voice and Web Applications For the Period January 1, 2009, through December 31, 2009", and the "Report on Controls Placed in Operation and Tests of Operating Effectiveness for Charles Schwab Trust Company, a division of Charles Schwab Bank" for the period January 1, 2009, through December 31, 2009.

## **Results of Operating Effectiveness**

No exceptions noted.

## **Other Relevant Controls**

### **Physical Access/Environment Controls**

#### **Control Objective # 3**

Controls provide reasonable assurance that physical access to the computer equipment, network devices, program documentation, and storage media is limited to properly authorized individuals.

#### **Description of Controls**

##### **Primary Building – Perimeter Security**

Entrance to the building is protected by an alarm system which is armed nightly. The alarm system features include:

- Keypad that requires a unique PIN for each salaried employee. Keypad entries are logged for later review if needed
- Glass breakage monitors on all exterior windows
- Motion detectors placed strategically throughout the facility (including the data center)

These features are monitored on a 24/7 basis by a security firm. In the event of a security event, the police are notified first and then management is notified.

Each salaried employee has a unique security code to activate and deactivate the alarm system. The CEO has the master code.

The only public entrance to the building is locked and monitored by a receptionist via an intercom system. Visitors must verify their identity to the receptionist and the visitor is escorted into the building by the person being visited.

##### **Data Center Security**

The data center is located inside the primary office building and is controlled by a hard key lock. The doors to the data center are kept locked at all times. The IT Team and management have keys to access the data center. Access to keys is administered by the CEO.

All servers, master consoles, and peripherals are secured within the data center. The Uninterruptible Power Supply (UPS), main power supply, cable risers, and distribution boards are located within the data center as well. Communications equipment is kept in an unlocked area.

All systems are serviced by the IT Team and are logged accordingly.

## **Test of Operating Effectiveness**

- Observed that a keypad for the security system is located at the front and rear entrances to the building.
- Observed that there is a receptionist who responds to the front entrance intercom system and that AMI personnel escort visitors into the building.
- Observed that there are glass breakage monitors on the front lobby exterior windows and alarm monitors on all other exterior windows.
- Observed motion detectors throughout the building.
- Inquired of the CEO that the motion detectors and window sensors are activated when the last officer leaves for the day and deactivated when the first officer arrives in the morning.
- Observed that all secondary entrance points were locked.
- Observed that data center was located in an internal location of the building with no outside walls and locked when unattended.
- Observed a list of employees with data center access to confirm keys are held only by IT personnel and management team members.
- Inquired of 3 employees, who are not part of the IT or management teams, to confirm that they do not have key access to the data center.
- Observed that the servers, master consoles, and peripheral equipment are kept in the data center.
- Observed IT monitoring of Internet Protocol (IP) addresses.

## **Results of Operating Effectiveness**

No exceptions noted.

## **Logical Access Controls**

### **Control Objective # 4**

Controls provide reasonable assurance that logical access to network resources, including programs and data, is limited to properly authorized individuals. Controls also provide reasonable assurance that all external network access points are properly controlled from unauthorized intrusion.

## **Description of Controls**

### Logical Access – Internal Network

Access to networked resources is restricted through SBS 2003 Active Directory security. Each system user has a unique assigned user ID and password to access the domain. Users are assigned system rights in accordance with their job function based on notification from

management. Basic security parameters have been applied within the network as it relates to password length, password expiration, and intruder lock-out. User IDs are activated when a person is hired and deactivated upon termination.

Active Directory password rules are configured as follows:

- minimum 7 alpha-numeric characters (at least 2 must be numeric)
- expiration set to 183 days
- no alternation (set to store 24 previous passwords)
- log-in locked after 3 invalid attempts
- intruder lockout duration set to “forever”
- intruder lockout count reset to 60 minutes

The primary user community is limited to log in only during business hours (7 a.m. through 6 p.m.). Upper management is allowed extended hours from 7 a.m. to 12 a.m. (or later if authorized by a member of the Board of Directors). Only IT personnel are allowed to log in 24/7.

Active Directory is configured to prevent the installation of software to work stations. If there is no registry entry or system directory, the user cannot install the software.

Unauthorized storage and media devices, such as USB flash drives, CD writeable drives, and external hard disk drives are restricted from access to the network from end-user workstations.

Users are required to lock their workstation when they leave it unattended. All workstations are set to lock after 10 minutes of inactivity.

#### Logical Access – VRU/Web-Based Systems

Users of the Voice Response Unit (VRU) and the web-based Interactive Benefit Information System must authenticate themselves before gaining access to enter a transaction. The system will prompt the user for their Social Security Number (SSN) and Personal Identification Number (PIN) when entering the system. The PIN is initially set by default to be the last four digits of the SSN. Upon the participant’s initial login, they are required to create a user ID and change their PIN.

AMI will not provide PIN information over the telephone to plan participants. Instead, the user ID and password is re-set to the defaults after proper authentication. All PIN changes processed on the internet or VRU are confirmed and a confirmation number is provided to the participant at the time of the change. If the participant contacts AMI for questions regarding the usage of the VRU system, he or she will be requested to provide their social security number for verification and review.

All active sessions in the web-based application and VRU are secured using encryption maintained by Relius on their ASP System.

#### Logical Access – AMI Programs

Access to the AMI Access database programs is provided by security features developed by the IT Team that are linked to the Active Directory user ID. Critical functions within the access programs are limited to authorized personnel. User permissions are approved by management and coded by the IT Team.

## Logical Access – Relius

Relius software also requires a user ID and password. Each user has a unique user ID and password used to log activity for audit trail purposes. There is a set of passwords and IDs to log into the ASP environment. Security codes are changed every minute via the RSA SecurID key fob system.

## Firewall

A Firewall/Router protects the corporate network. The firewall was installed and configured by the IT Team, which is responsible for on-going firewall maintenance. The firewall configuration can only be accessed by the IT Team internally. The firewall controls the type of traffic that will be allowed into the private network from the internet as well as the type of traffic permitted to leave the private network sent onto the internet. The firewall enhances security through network address translation. All resources on the private network have an internal IP address hidden from the outside internet.

AMI uses Norton Express Endpoint Protection SBE 11.0 BA Essential to scan for viruses on the server only. End user workstations do not have virus scanning software installed. AMI utilizes AppRiver for virus scanning and spam filtering of all inbound email messages. AppRiver runs the emails through their virus and spam protection services before forwarding the emails to AMI.

## **Test of Operating Effectiveness**

- Conducted inquiries with the IT Team to confirm that the above control procedures were operating effectively throughout the period.
- Observed 3 user names established on Active Directory and verified that these users were current employees as shown on the Organization Chart.
- Inquired of the IT Team and observed Active Directory's global security settings to verify configuration requirements relating to limited log-in periods for users and that all non-IT Team members are not able to install software that is not currently on the system directory.
- Inspected security settings for 3 employees on Active Directory to confirm they are limited to the appropriate log-in times.
- Observed Active Directory's password security requirements.
- Inquired of 3 employees regarding password settings, password expiration, reuse of all or a portion of previous passwords, how many attempts they have in order to log in to the system with their password and the procedures followed if they are locked out of the system.
- Inspected 3 employees' user permissions within Active Directory and confirmed management's verbal approval for the level of access granted.
- Observed that USB ports on all end-user workstations are disabled via Active Directory.

- Inquired of the IT Team and inspected 3 user workstations to verify that USB ports are disabled and would not allow file access to or from the USB port.
- Observed 5 end-user (non-IT Team) workstations to confirm they do not have CD/RW drives installed.
- Inquired of 3 employees that they adhere to the policy of locking their workstation when they leave it unattended.
- Observed 3 employees were unable to access their workstations with erroneous passwords.
- Observed Active Directory's settings to automatically lock idle workstations after 10 minutes of inactivity.
- Observed a workstation to confirm that screen savers with passwords are enabled after 10 minutes of inactivity.
- Inquired of 3 employees regarding the process for the VRU or web-based systems when a user calls AMI due to a forgotten password.
- Observed an AMI employee attempt to access a user account without a valid password.
- Observed the firewall parameters which limit inbound traffic to only web and mail services.
- Observed the previous days event logging on the firewall to confirm that the log lists IP address and inquired of IT that log is reviewed daily.
- Inquired that there have been no firewall breaches or viruses that have infected the Company's systems during the period April 1, 2009, through March 31, 2010.
- Observed Norton Express Endpoint Protection software is installed on the server and is updated timely and on a regular basis via the auto-update feature.
- Inquired of the IT Team and observed that virus scanning occurs only on the server, as a back up to the AppRiver scans.
- Inquired regarding the filtering of inbound email based on subject and sender address for SPAM identification.

### **Results of Operating Effectiveness**

No exceptions noted.

## **Computer Operations**

### **Control Objective # 5**

Controls provide reasonable assurance that emergency response and disaster recovery procedures have been developed to ensure recovery in the event of an interruption in service.

#### **Description of Controls**

The Business Continuity Plan (BCP) is organized by team. Each department's critical functions are detailed in the plan. The plan is maintained online and regularly updated. Hard copies of the plan are kept with several authorized employees.

All critical programs and data files are stored on servers within the AMI network and not on end-user workstations. Daily backups of the servers are performed each night to an online service. In addition, an on-site archival of these daily backups is maintained.

Server capacity is monitored regularly by checking hard disk space. Maintenance is current and performed after hours and on weekends.

All critical systems, including the servers, are protected by an Uninterrupted Power Supply (UPS). All systems are powered through the UPS for a minimum of 20 minutes. In addition, the UPS provides surge protection and power leveling.

Hand-held fire extinguishers are placed throughout the facility and are inspected periodically.

#### **Test of Operating Effectiveness**

- Conducted inquiries with the IT Team to confirm that the above control procedures were operating effectively throughout the period.
- Inquired of the IT Team regarding online and on-site backup methods.
- Inspected the IT backup log and observed the previous night's backup file.
- Inquired of the IT Team regarding the monitoring of hard disk space available and observed that more than 60% of hard disk space is available.
- Inspected that the UPS backup battery levels were at least 20 minutes for each server.
- Observed and inspected that fire extinguishers, which contain electronic safe chemicals, are located inside the data center.
- Inspected a copy of the BCP and inquired of the IT Team that the BCP was last tested 8 years ago, a backup location has been determined, and that hard copies of the BCP are housed off site.

#### **Results of Operating Effectiveness**

No exceptions noted.

## **Plan Administration Team Controls**

### **Control Objective # 6**

Controls provide reasonable assurance that employee benefit plans contracted with AMI are in compliance with the regulatory compliance and reporting requirements.

### **Description of Controls**

Where applicable, AMI provides to the plan sponsor the following compliance testing services:

- ADP and ACP
- 415 Annual additional limits
- Top heavy
- Coverage
- 402(g) limits
- Testing reports and corrections
- Co-ordination and assistance with IRS and DOL audits
- Benefit and required minimum distribution calculations

In addition, AMI provides to the plan sponsor the following reporting services:

- Form 5500 and applicable schedules for all plans
- Summary annual reports
- Form PBGC-1 for defined benefit plans
- Form 2848 power of attorney
- Form 5310 for plan termination
- Audit package for large plans

AMI assures timely services and accurate reporting by establishing the following procedures:

- Request and gather testing data from plan sponsor early in the process
- Obtain information such as account activity, investment detail, and fund reconciliations from the Plan Management Team (PMT)
- Gather internal data, including data for compliance testing, prior year testing, plan specification sheets, annual administration, contribution, and loan information
- Complete appropriate checklists
- Report results of testing to plan sponsor and financial representative with options for correction, if applicable

Each plan test is prepared by an administration team member, tested by a plan administrator and reviewed by the Plan Administration Team Leader before communicating test results to the plan sponsor. In the event of a plan failure, correspondence notifying the plan sponsor is logged with the process of the correction and tracked for correction prior to the IRS deadline, if the testing information was received from the plan sponsor prior to the date required by AMI. The team leader also reviews for accurate reporting of information on the Form 5500 and the compliance reports before the reports are processed and mailed to the plan sponsor. Any discrepancies found are documented and corrected.

AMI requires that all dates are recorded related to requesting plan sponsor data, compliance testing, 5500 filings, and related correspondence. This includes recording mail dates, due dates, and receipt dates of the plan year-end request from the plan sponsor, tracking and

logging Form 5500 and related tax forms filed, compliance testing reports, and correspondence related to compliance issues. AMI files the final testing results, reports, and all relevant correspondence for each employer in files.

### **Test of Operating Effectiveness**

- For each of the 13 plans selected, reviewed that plan testing was completed accurately and timely once all required information was received from the plan sponsor.
- For each of the 13 plans selected, observed the checklist of requested information required for administrative testing to confirm that the information received was complete.
- For each of the 13 plans selected, reviewed testing checklists were completed, signed, and dated to document the process.
- For each of the 13 plans selected, reviewed that testing was reviewed by the Plan Administration Team Leader prior to plan sponsor communication of results.
- For each of the 13 plans selected, reviewed correspondence with the plan sponsor regarding test results which occurred before IRS deadline and observed the system generated signature stamp on the communication of testing results to the plan sponsor.
- For each of the 14 plans selected, reviewed that the Form 5500 was timely sent to the plan sponsor prior to the filing deadline.
- For each of the 13 plans selected, observed the log of client requests to ensure dates information was received is reasonable based on dates administrative tests were completed.
- For each of the 13 plans selected, observed the log of plan testing failures and the correspondence sent to the plan sponsor for correction, where applicable.
- Inquired of the Plan Administration Team Leader that plan testing for the 2009 plan year-ends has been performed and reviewed and confirmed the process for plan testing failures.
- Inquired of the Plan Administration Team Leader that plan testing failures are communicated to the plan sponsor and logged and tracked for correction timeliness.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Co-ordination Team Controls**

#### **Control Objective # 7**

Controls provide reasonable assurance that plan assets are converted and set-up on the record keeping system accurately and timely.

## **Description of Controls**

Plans that are converting to AMI administration and management are entered into the Co-ordination Team database. A conversion tracking record is established. The team is responsible for preparing applicable Sarbanes-Oxley notices, managing the conversion process, setting up the plan specifications in the software, entering the basic census data, facilitating the enrollment process, and setting up the initial fund allocations. Once everything is setup, new contributions may be processed through the plan's initial fund allocations.

When liquidated funds are wired to AMI for a plan conversion, they are entered into a non-interest bearing account. This account is reconciled daily. During this reconciliation, the liquidated dollar value received for each specific plan is forwarded to the management member responsible for the conversion process. The amount received in wire is compared to the reports received from the previous TPA to ensure accuracy; discrepancies are investigated. The liquidated plan assets are then placed into a "X fund" for the plan and settled into the specific funds as chosen by the employee or the plan's default fund, as defined by the plan.

After assets and accurate data arrive from the former custodian of the assets and/or third party administrator, the assets are allocated to the new funds selected by the participants. This process usually takes from 1 to 3 days. Data is checked for accuracy several times in the conversion process as specified in the checklist.

## **Test of Operating Effectiveness**

- Conducted inquiries with the Co-ordination Team Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 8 newly converted plans selected, inspected the conversion reports for completion of the conversion within 1 to 3 days between the later of the date money arrived or the allocation report was received from the prior TPA, and the date the money was allocated to participants.
- For each of the 9 newly converted plans selected, inspected the conversion checklist to confirm that plan assets received agreed to reports received from the previous fund holder or third party administrator, and that the "X fund" had been settled.

## **Results of Operating Effectiveness**

No exceptions noted.

## **Control Objective # 8**

Controls provide reasonable assurance that plan closures and plan exits are completed timely and accurately.

## **Description of Controls**

Plans that are closing or exiting are entered into the Co-ordination Team database. The status of the process is tracked. Team members review plan details and communicate with the employer and representative regarding the status of the plan and any amendments that may be required prior to closing. Depending upon the nature of the closure/exit, the relevant checklist is

completed and proper documentation obtained regarding the trustee approval of the plan closure/exit and any distribution of plan assets.

### **Test of Operating Effectiveness**

- Conducted inquiries with the Co-ordination Team Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 3 plan termination/exits selected, inspected the plan termination checklist for the proper completion based on type of termination and that the exit process was completed by the due date of the contract.
- For each of the 3 plan termination/exits selected, inspected that the proper trustee approval of the termination/exit existed, and that the plan assets were handled according to the trustee's direction.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 9**

Controls provide reasonable assurance that plan documents and summary plan descriptions are completed, amended, and restated timely and accurately.

### **Description of Controls**

AMI uses the Datair prototype document for the majority of their clients. The Plan Administration Team performs the following procedures to prepare plan documents and related items:

- Obtain a copy of the current plan document (if applicable)
- Review the document for form and function
- Interview the employer for possible plan document changes, keeping aware of anti-cutback and compliance issues
- Determine if the present document meets the needs of the employer and the participants
- If a document restatement or amendment is required by the plan or by regulatory changes, input the changes into the document writer software
- Create and review the document and any related forms
- Provide the document to the employer for review and signature
- Create the summary plan description
- When applicable, file the document for approval with the IRS

### **Test of Operating Effectiveness**

- Conducted inquiries with the Plan Administration Team Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 10 new plans selected, reviewed the plan documentation checklist to confirm that the checklist is complete and signed by the Plan Administration Team leader and a plan administration team member.

- For each of the 21 plans selected, inspected the signed plan document, signed required amendments, the current summary plan description and, if applicable, the summary of material modifications.
- For each of the 18 plans selected, determined that the amendment checklist was completed prior to the beginning of the year in which the amendment is effective.

### **Results of Operating Effectiveness**

No exceptions noted

### **Control Objective # 10**

Controls provide reasonable assurance that significant changes to plans are approved and managed properly.

### **Description of Controls**

Plans that require special services due to a significant change are entered into the Co-ordination Team database. The team ensures that the proper approval of the change is obtained and that the process is managed properly by meeting weekly to discuss the status and following up on any changes that need to be made to the plan documents or database information.

### **Test of Operating Effectiveness**

- Conducted inquiries with the Co-ordination Team Leader to confirm that the above control procedures were operating effectively throughout the period.
- Reviewed the Co-ordination Team meeting notes for one meeting noting that a process is in place to monitor plan changes.
- Refer to Control Objective No. 9.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Plan Management Team Controls**

### **Control Objective # 11**

Controls provide reasonable assurance that new company information, administrative service agreements, contracting, and conversion notices are completed timely and accurately.

### **Description of Controls**

Upon completion of a plan set up form, an electronic record is created for each employer and plan. This record is then utilized to populate the databases at AMI. Each plan is assigned a unique case number which carries through to all software applications and files.

The AMI Administrative Service Agreement is prepared based upon the plan setup form. This agreement must be executed before significant services are provided to the plan. AMI controls this process by completing a plan documentation checklist or amendment checklist that is signed and dated, signifying completion of each step.

AMI prepares all relevant contracts (trading contract, ACH contracts, etc.) in a signature ready format. All contracts are submitted for final review before they are forwarded to the appropriate entity for the employer's Board of Directors' approval, if required. The Third Party Administrator (TPA) transfer notice is prepared along with a request for conversion information.

AMI files all permanent documents for each employer in color-coded files.

### **Test of Operating Effectiveness**

- For each of the 9 plans selected, reviewed the signed Service Agreement to confirm the agreement was signed prior to the enrollment date.
- For each of the 8 plans selected, observed the transfer request (including all signed contracts) and customer Board of Directors' resolution approving the transfer of the plan assets were signed by the plan sponsor.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 12**

Controls provide reasonable assurance that investment purchases and sales received for delivery through a retirement plan custodian's "same day exchange" program are executed pursuant to industry standards, regulatory requirements, and as required in any agreements between AMI and applicable retirement plan custodians or security issuers, and once executed, are recorded completely, accurately, and timely.

### **Description of Controls**

Investment purchase and sale trade instructions for delivery through a retirement plan custodian's "same day exchange" or "late order trading" programs (Same Day Exchange Trade Orders) must be received from plan sponsor clients, plan participants, or authorized investment managers prior to the earlier of each fund's daily trade cutoff deadline or the close of the New York Stock Exchange on any day that the NYSE is open for trading (Market Close).

Same Day Exchange Trade Orders initiated internally, including, but not limited to, payroll contributions, income posting, and transaction correction activity, are identified by AMI prior to Market Close.

Systems trade aggregation processes that are required for the processing of Same Day Exchange Trade Orders prevent or detect, on a timely basis, trade orders received after Market Close versus trade orders received prior to Market Close. The time/data stamping procedures related to Same Day Exchange Trade Orders are monitored to determine their adequacy to prevent or detect, on a timely basis, trade orders received after Market Close from being aggregated with trade orders received before Market Close.

Adequate documentation and records are maintained to support control activities for all Same Day Exchange Trade Orders for a period of 6 years from the date of execution.

### **Test of Operating Effectiveness**

- Conducted inquiries with the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 10 transactions selected, observed the date and time stamp of each transaction for proper cutoff of the trade aggregation process.
- Reviewed the log of system parameters that are entered daily to create the VRU and website transactions and noted the 2 p.m. ET cutoff.
- Walked through the processing, balancing, and approval of a transaction agreeing information between clearing house and individual plan trade orders.
- Observed the offsite storage facility where records are maintained once they are over 1 year old and observed files that pertain to approximately 6 years ago.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 13**

Controls provide reasonable assurance that investment income and fees are recorded and processed in a timely and accurate manner.

### **Description of Controls**

At the plan trustee's discretion, administration and accounting fees are either charged directly against a participant's account balance or as a charge against investment earnings (as negative dividends). Fees are matched against the invoice as approved.

Investment earnings reported by fund companies are processed as a positive or negative dividend. The income, gains, and losses reported by the clearing house are automatically imported into the Relius software, from the clearing house, and processed accordingly.

### **Test of Operating Effectiveness**

- Conducted inquiries with the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 5 administrative transactions selected, verified that the fees charged to participant accounts were approved by management and agreed to invoices.
- For each of the 5 transactional fees selected, verified that they were reasonable based on the supporting calculation worksheet.

- Inspected a file import from the clearinghouse into Relius representing dividend, gain, and loss transactions. Refer to objective 16 for testing of balances of plan records to the investment statements.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 14**

Controls provide reasonable assurance that fund allocations, transfer requests, and PIN changes are authorized and processed timely and accurately.

### **Description of Controls**

Initial fund allocations are either set to a default fund by the employer or received via an "Investment Election Form". Subsequent transfer requests and future allocation requests must be submitted via the AMI Interactive Benefit Information System. This system is comprised of a VRU and a transactional internet site. Subsequent requests are not permitted on paper or via a live-answered phone call or email. Confirmation of the request is provided to the participant via a confirmation number at the time of the request. If the participant makes an inquiry regarding the transaction, the confirmation number must be provided for review purposes. Transfers executed by 2 p.m. each business day have the sell and buy of the assets ordered at the clearing house on the same day.

The user ID for the participant is originally set to the social security number and their PIN is set to the last four digits of the participant's social security number. Participants are then prompted to change their PIN and user ID when they access the VRU or internet for the first time. Three (3) incorrect PIN attempts will lock out the participant. The participant must contact AMI and verify their identity before their record is re-set to the default user ID and PIN.

### **Test of Operating Effectiveness**

- Conducted inquiries with the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of 15 transfer requests selected, reviewed the request for proper authorization and observed that the transaction was initiated either through the VRU or the internet site and was properly recorded in Relius.
- For each of the 15 transfer requests selected, inspected a copy of the confirmation sent from the clearing house.
- For each of the 15 transfer requests selected, inspected the date stamp, and determined that transfers executed by 2 p.m. were batched, and transmitted to the clearing house prior to the trading deadline and the buy or sell of the assets was ordered the same day.
- For 5 transfer requests selected, re-performed without success, an attempt to access the participant's account using an invalid password.

- For 1 initial fund allocation, inspected a copy of the investment election form to verify funds were allocated correctly.
- Reperformed, without success, allocating funds by more than 100% and less than 100% on a dummy participant account.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 15**

Controls provide reasonable assurance that quarterly management and participant reports are produced timely and accurately at the end of each plan year quarter.

### **Description of Controls**

The PMT utilizes AMI software to track the quarterly report schedule, how management reports are to be assembled, and where employer and participant reports are to be sent.

The steps to producing each plan's reports are as follows:

- Compare the Relius ending balances to the positions file
- Review for outside funds and GICs and enter relevant earnings information
- Print the management reports
- Review participant information
- Compare the beginning balance of the current quarter to the ending balance of the previous quarter by participant and plan total
- Review the transaction summary for reasonableness
- Print participant quarterly report
- Review the reports for information included on the reports
- Assemble the reports and ship according to the information specified in the shipping report

### **Test of Operating Effectiveness**

- Conducted inquiries with the Co-ordination Team Leader and the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 10 plans selected, inspected a quarterly report checklist, which includes the steps listed above, to confirm that each step is initialed as completed.
- For each of the 10 plans selected, reviewed the sponsor report binder for the selected quarters to confirm that all related quarterly reports, summary of participant accounts, fund/source reconciliation, and loan reports, if applicable, have been printed.

### **Results of Operating Effectiveness**

No exceptions noted.

## **Control Objective # 16**

Controls provide reasonable assurance that a participant's account is balanced in a timely and accurate manner prior to distributions and plan accounts are balanced quarterly.

### **Description of Controls**

A positions file, confirmation file, and dividend file that summarizes transactions for all plans are received daily from the clearing house. Participant confirmations and dividends are automatically processed each day by the software. Positions are compared daily in addition to the reconciliations done for distributions and the quarterly balancing of each plan in its entirety. Discrepancies are documented and researched immediately.

### **Test of Operating Effectiveness**

- Conducted inquiries with the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For the 9 full and completed distributions selected, inspected the date the asset reconciliation was completed to confirm it was prior to the distribution date.
- For the 14 plans where distributions were selected, inspected a completed checklist used to prepare quarterly reports noting quarterly reconciliations were performed and initialed by a second person.
- For 15 discrepancy reconciliations selected, inspected that each discrepancy was documented and researched within 3-4 business days.

### **Results of Operating Effectiveness**

No exceptions noted.

## **Control Objective # 17**

Controls provide reasonable assurance that contributions are processed accurately and timely.

### **Description of Controls**

Contribution data is received from the employer and a tracking log is created. When applicable, ACH instructions are processed to the clearing house to buy the funds. The contribution data is imported into the AMI software which validates participant eligibility to receive contributions, posts loan payments and interest, and verifies that enrollment information has been received.

Once the assets have been received by the clearing house, a member of the New Business/ Daily Processing Team approves the contribution information and imports it into Relius. If a forfeiture release or annual allocation is specified, a member of the Plan Administration Team must also approve the contribution information. Once approved, a buy order is created and turned over to the PMT (see Exhibit B).

The AMI software generates a weekly report to reflect participants who have not had a contribution within the previous 25 days. This report allows AMI to check on a participant's status and/or employer remittance frequencies.

### **Test of Operating Effectiveness**

- Conducted inquiries with the Plan Administration Team Leader and the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- Walked through the remittance process and observed the received log screen in the system for a plan and confirmed that the log noted when a remittance was received and processed for the plan.
- Walked through the processing of a payroll contribution import into the AMI software and confirmed the process to written procedures.
- For each of the 11 contribution remittances selected, verified that the contribution amount remitted to AMI agreed to the schedule provided by the employer and agreed to the contribution data log.
- For each of the 11 contribution remittances selected, inspected a report generated from AMI software showing that the funds were received by the clearing house and a member of the PMT approved the contribution information and imported the contribution into Relius.
- For 1 contribution that included a forfeiture release, inspected that a member of the Plan Administration Team approved the release and inspected the contribution checklist for a sign off from both the PMT and the Plan Administration Team.
- Re-performed an attempt to release and allocate forfeitures within the AMI software to confirm that 2 passwords are required from a member of the Plan Administration Team and the PMT before funds are transferred from the forfeiture account.
- For each of the 11 contributions selected, verified that buy orders were created and turned over to the PMT for processing. Verified that the trades were submitted to the clearing house, the daily transactions report was received from the clearing house, and that the sum of individual participant contributions (loans) per the daily transaction report agreed to the AMI software and Relius.
- For each of the 11 contributions selected, verified that the checklist was completed and that contributions were processed within the next business day.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 18**

Controls provide reasonable assurance that enrollments and eligibility determination are processed accurately and timely.

## **Description of Controls**

Approximately 2½ months prior to the open enrollment date, census data is sent to the employer for review. The employer is asked to list any employees who are not included in the census data. AMI determines the eligible employees who are not currently contributing to the plan, creates enrollment paycheck illustrations, customizes enrollment forms, assembles enrollment kits, and sends them out for completion. Once the completed forms are received at AMI, the information is verified and census and fund allocation records are created. The employer is notified of deferral amounts elected by the employee. Copies of relevant paperwork are created and sent to the employer and the participants.

## **Test of Operating Effectiveness**

- Conducted inquiries with the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 2 plans selected for testing, verified that the date was entered into the system representing the PMT sign-off that notification of open enrollment was sent to the plan sponsor.
- For each of the 2 plans selected for testing, verified that the date was entered into the system representing the PMT sign-off that the census information had been received from the plan sponsor and that the appropriate number of enrollment kits had been sent out.
- For each of the 3 plans selected, selected 3 newly eligible participants, and inspected the enrollment information to confirm that the participant data (social security number, date of hire, date of birth, and deferral percentage) on the participant form agreed to the data input into the AMI system, for participants who elected to begin participating.

## **Results of Operating Effectiveness**

No exceptions noted.

## **Control Objective # 19**

Controls provide reasonable assurance that distributions are processed accurately and timely.

## **Description of Controls**

AMI receives notification from the employer or the participant to initiate the distribution, creates a tracking log, verifies vesting, and prepares customized distribution notices and forms to send to the participant and the employer. Once the completed paperwork is received, a request for a sell order is produced, and the request is turned over to the PMT for completion of the distribution (see Exhibit C).

Depending upon the nature of the distribution, additional controls are in place and a checklist is followed:

- *Terminations:* An “Employer Reporting of Termination Form” is required. The employer reports the last known address of the employee, date of termination, and the number of hours the employee worked in the current plan year, etc.

- *Hardship Withdrawals:* The employer or the participant may request the hardship withdrawal. However, AMI will gather the relevant documentation before approving the hardship and proceeding with the creation of the paperwork.
- *In-Service Distributions:* The employer or the participant may request the distribution. AMI documents the availability before proceeding with the paperwork.
- *70½ Distributions:* AMI tracks the eligible participants, creates the necessary election forms, and orders the relevant distributions.
- *Other Distributions:* Death, retirement, disability, etc. AMI will gather the relevant documentation before proceeding with the creation of the paperwork.

All relevant completed distribution forms are forwarded to the PMT with a request to sell the assets. The PMT double checks the paperwork, re-verifies the vesting, and reviews the participant's loan status for possible default. After approval of the paperwork, the distribution is approved and ordered. Once the clearing house verifies the cash has been received, the distribution is made according to the participant request. Necessary taxes are calculated and the assets and information are forwarded to the check writing company for distributions and 1099 reporting (see Exhibit C).

### **Test of Operating Effectiveness**

- Conducted inquiries with the Plan Administration Team Leader and the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 10 distributions selected, inspected that the distribution request was authorized by signature of the plan participant and/or plan, verified the distribution form was complete, the type of distribution was allowed under the terms of the plan, and that the vesting percentage applied to the distribution was recalculated and reviewed by AMI through a worksheet before processing.
- For each of the 8 distributions selected, inspected the distribution checklist was complete, any loans outstanding (in the case of a full distribution) were defaulted if not repaid, the asset sale was requested from the clearing house, and reviewed a copy of distribution check issued to the participant or documentation of the ACH transfer to the participant's account.

### **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 20**

Controls provide reasonable assurance that loan requests are approved and processed in an accurate and timely manner.

## **Description of Controls**

A participant requests a loan via a "Loan Request Form" and a tracking log is created. An electronic "Maximum Amount of Loan Available Worksheet" is completed to verify the loan amount available. This worksheet program performs all of the tests to determine the maximum amount of loan available, taking into consideration the \$50,000 limitation, outstanding loan balance, and the vested account balance of the participant. If the loan is approved, the amortization schedule is created, along with relevant loan forms, and sent to the employer and the participant for completion. Once the completed forms are received at AMI, a sell order request is processed by the PMT to sell the assets (see Exhibit C).

Loan payments and balances are tracked in the AMI software. This software has validation features that automatically print reports when a loan is close to payoff or has been paid off. This allows AMI to notify the employer when to discontinue deductions or when a loan overpayment has occurred.

A report is generated weekly by the AMI software to list loans that are nearing default and loans that have defaulted. This allows AMI to check the employee status and to create the default record when necessary or note if there are special circumstances to defer the default (disability, military service, etc.).

All completed loan requests are processed by the PMT. Loan availability is re-verified, and a loan transaction is created. Once the clearing house verifies the cash has been received, the distribution to the participant is ordered (see Exhibit C).

## **Test of Operating Effectiveness**

- Conducted inquiries with the Plan Administration Team Leader and the PMT Leader to confirm that the above control procedures were operating effectively throughout the period.
- For each of the 10 new loan requests selected, verified that the loan request form was authorized by the plan participant and plan sponsor, that the "Maximum Amount of Loan Available Worksheet" was completed and compared the worksheet to the plan parameters.
- For each of the 10 new loan requests selected, if the loan was approved, verified that the loan was properly posted to the participant's account, that the loan checklist was completed, and the loan parameters were according to the plan document.
- For each of the 10 new loan requests selected, if the loan was approved, inspected the asset sale to provide funds for the loan distributions by the clearing house, and the copy of the loan distribution check sent to the participant or sufficient information was received to complete an ACH transfer to the participant's account.
- For each of the 10 new loan requests selected, verified that the final agreed-upon amount of the loan request, investment liquidation, and a copy of the loan distribution check or ACH transfer agreed.
- Observed a weekly report of defaulted loans and near-defaulted loans and inquired regarding the procedures performed to alert plan sponsors of these loans.

## **Results of Operating Effectiveness**

No exceptions noted.

### **Control Objective # 21**

Controls provide reasonable assurance that participant demographic changes are received from approved sources and entered in the AMI database timely and accurately.

### **Description of Controls**

Participant demographic changes are received from the employer or from the participant (signature required). Persons who are making a change due to divorce are red-flagged for a possible Qualified Domestic Relations Order (QDRO). Before a distribution from the plan is performed, AMI will request a copy of supporting documentation to reflect that a QDRO is not pending.

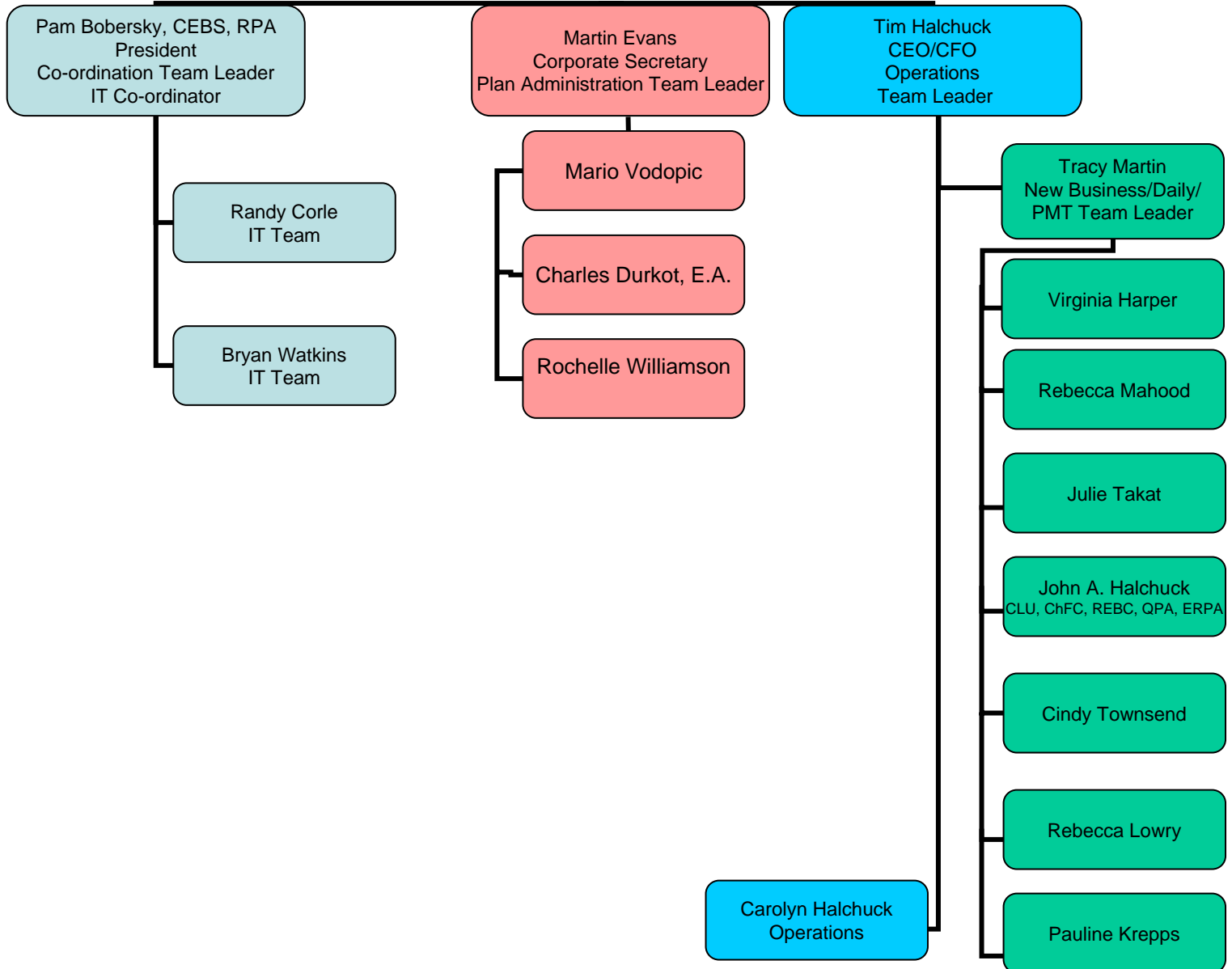
### **Test of Operating Effectiveness**

- Conducted inquiries with the Plan Management Team Leader to confirm that the above control procedures were operating effectively throughout the period.
- Observed that a participant who requested a demographic change authorized the change via signature and that the participant's account was flagged for a QDRO due to a divorce.

## **Results of Operating Effectiveness**

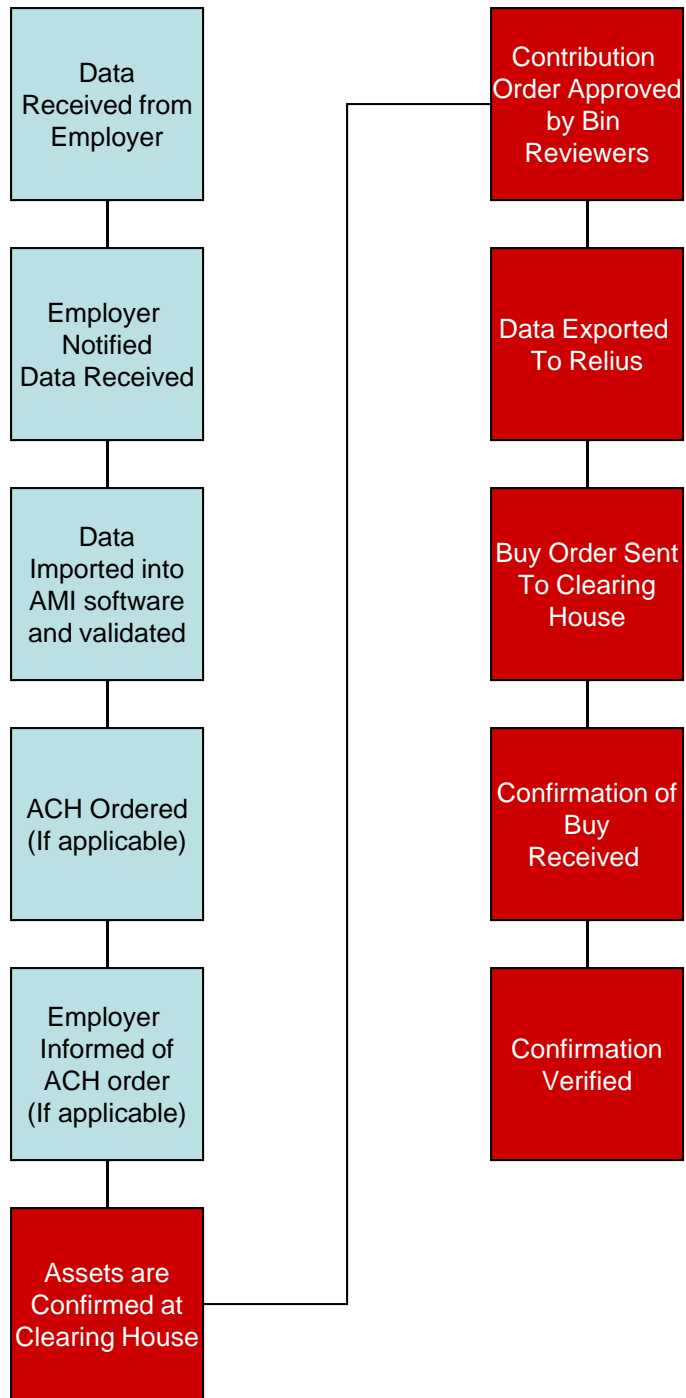
No exceptions noted.

AMI Benefit Plan Administrators, Inc.  
Organizational Chart



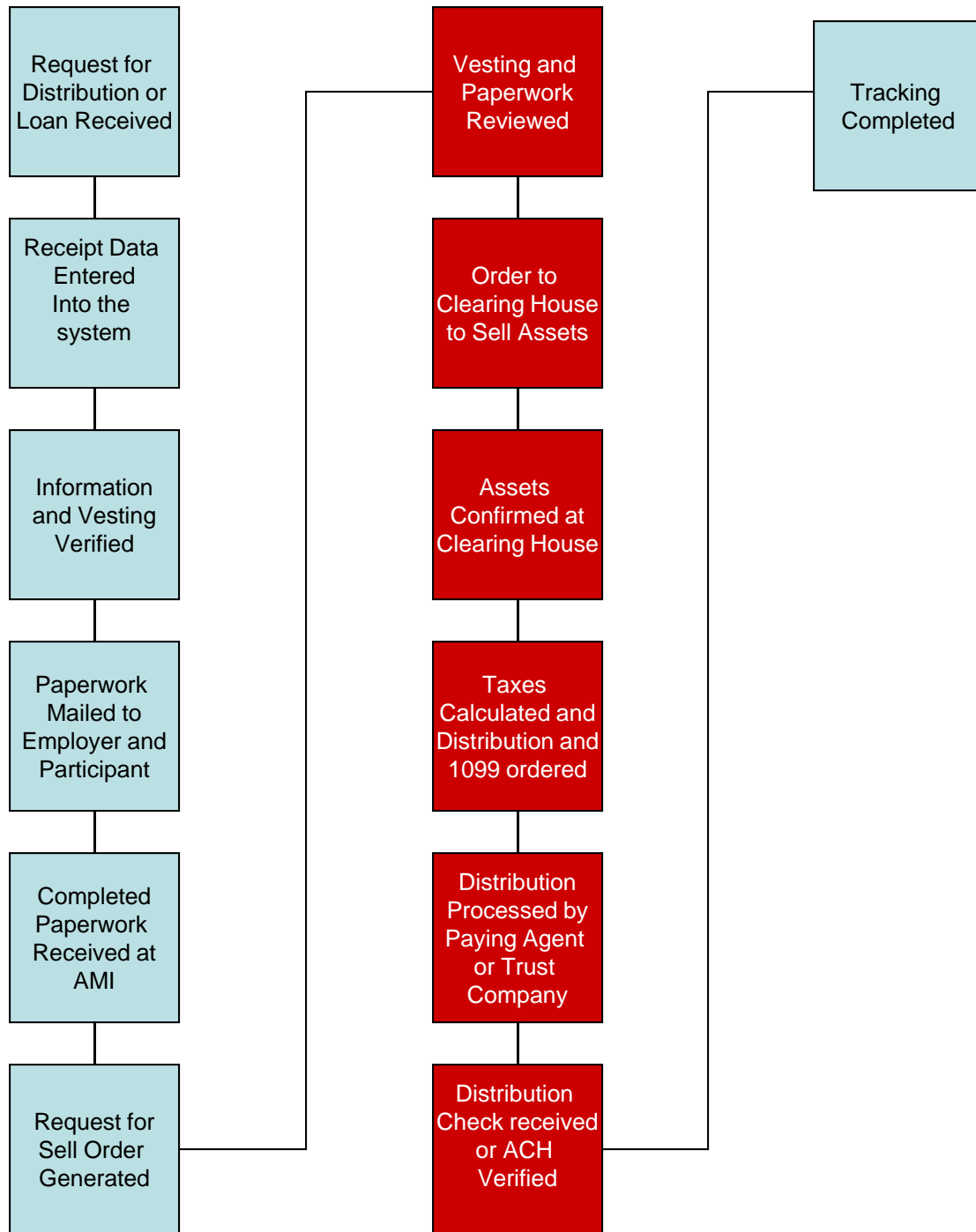
# Contribution Flowchart

## Exhibit B



# Asset Distribution Flowchart

## Exhibit C



# EXHIBIT D

## **PARTICIPANT CONTROL CONSIDERATIONS**

The following are AMI's suggested participant control considerations:

- Participants have access to daily transactions via the internet and are responsible for reviewing activity in a timely manner.
- Participants are responsible for reviewing quarterly reports, quarterly newsletters, notices, and annual reports provided by AMI. If a change or a discrepancy is noted, the participant is responsible for notifying AMI in a timely manner of the change.
- All mutual funds are publicly traded and depending on the share class, the values can be confirmed by participants from a number of public sources.
- Participants are responsible for confirming that the amount of deferral withheld from their paycheck is equivalent to the amount deposited to the participant's account.
- Participants receive confirmation of changes via a confirmation number on the internet or VRU at the time the change is executed.