



**AMERICAN PENSION BENEFITS  
(A DIVISION OF AXIOS ADVISORY GROUP, LTD)**

**REPORT ON MANAGEMENT'S DESCRIPTION OF ITS DAILY VALUATION SYSTEM AND  
ON THE SUITABILITY OF THE DESIGN AND OPERATING EFFECTIVENESS OF ITS  
CONTROLS**

**FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015**

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**SECTION ONE**

**INDEPENDENT SERVICE AUDITORS' REPORT**

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## INDEPENDENT SERVICE AUDITORS' REPORT

To the Board of Directors  
American Pension Benefits  
Wexford, Pennsylvania

### *Scope*

We have examined **American Pension Benefits'** ("APB") (a division of Axios Advisory Group, Ltd) description of its controls related to the Daily Valuation System ("System") for processing user entities transactions throughout the period January 1, 2015 through December 31, 2015 (description) and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of APB's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design and operating effectiveness of such complementary user entity controls.

APB uses SunGard Corbel Relius Administration ("SCRA") pension recordkeeping software and the Mid Atlantic Communication Server ("MACS") for processing transactions on participant and/or plan accounts. APB also utilizes a conduit bank, Mid Atlantic Trust Corporation (referred to as "conduit bank" or "MATC") to perform custodial, mutual fund trade settlements, as well as other services. The accompanying description includes only those controls and related control objectives of APB and excludes the controls and related control objectives of SCRA, MACS, or MATC. Our examination did not extend to the controls of these service organizations

### *Service Organization's Responsibilities*

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

### *Service Auditors' Responsibilities*

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period January 1, 2015 through December 31, 2015.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of presentation of the description of the system and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in Section Two of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

### ***Inherent Limitations***

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

### ***Opinion***

In our opinion, in all material respects, based on the criteria described in APB's assertion in Section Two of this report:

- a. The description fairly presents the Daily Valuation System that was designed and implemented throughout the period January 1, 2015 through December 31, 2015;
- b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period January 1, 2015 through December 31, 2015, and user entities applied the complementary user entity controls contemplated in the design of APB's controls throughout the period January 1, 2015 through December 31, 2015; and
- c. The controls we tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period January 1, 2015 through December 31, 2015.

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

The specific controls tested and the nature, timing, and results of those tests are listed in Section Five of this report.

*Intended Users and Purpose*

This report, including the description of tests of controls and results thereof in Section Five of this report, is intended solely for the information and use of APB, user entities of APB's Daily Valuation System during some or all of the period January 1, 2015 through December 31, 2015, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about the controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than those specified parties.

*Lally & Co., LLC*

Pittsburgh, Pennsylvania  
February 29, 2016

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**SECTION TWO**

**MANAGEMENT'S ASSERTION**

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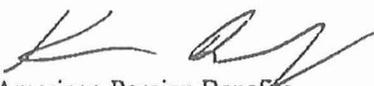
## AMERICAN PENSION BENEFITS MANAGEMENT'S ASSERTION

We have prepared the description of American Pension Benefits' ("APB") (a division of Axios Advisory Group, Ltd) Daily Valuation System ("System") for processing user entities' transactions, during the period January 1, 2015 through December 31, 2015, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the risk of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that the description fairly presents:

1. The description fairly presents APB's environment made available to user entities of the System during the period from January 1, 2015 through December 31, 2015 for processing their transactions. The description indicates that certain control objectives specified in the description can be achieved only if certain complementary user entity controls contemplated in the design of American Pension Benefits' controls are suitably designed and operating effectively, along with related controls at the service organization. APB utilizes SunGard Corbel Relius™ Administration pension recordkeeping software and the Mid Atlantic Communication Server for processing transactions on participant and/or plan accounts. APB also utilizes a conduit bank, Mid Atlantic Trust Corporation to perform custodial, mutual fund trade settlements, as well as, other services. The description of the System includes only those controls and related control objectives of APB and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if controls at the subservice organizations contemplated in the design of APB's controls are suitably designed and operating effectively, along with related controls at APB. The criteria we used in making this assertion were that the description:
  - a. How the System made available to user entities was designed and implemented to process relevant transactions, including if applicable:
    - The types of services provided, including, as appropriate, the classes of transactions processed;
    - The procedures, within both automated and manual systems, by which those services are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information presented to user entities of the system;
    - The related supporting information that is used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports prepared for user entities of the System;
    - How the System captures and addresses significant events and conditions, other than transactions;
    - The process used to prepare reports or other information provided to user entities;



- The specified control objectives and controls designed to achieve those objectives including, as applicable, complimentary user entity controls and subservice organization controls contemplated in the design of the controls; and
  - Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the System.
- b. The description of the System does not omit or distort information relevant to the scope of the System, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities and their financial statement auditors, and may not, therefore, include every aspect of the System that each individual user entity and its auditor may consider important in its own particular environment.
2. The description includes relevant details of changes to the System during the period from January 1, 2015 through December 31, 2015.
3. The controls related to the control objectives stated in the description, which together with complementary user entity controls and subservice organization controls, were suitably designed and operated effectively throughout the period January 1, 2015 through December 31, 2015, to achieve those control objectives. The criteria we used to make this assertion were that:
- The risks that threatened achievement of the control objectives stated in the description were identified by us;
  - The identified controls would, if operated as described, provide reasonable assurance that those risks did not prevent the stated control objectives from being achieved; and
  - The controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.



American Pension Benefits  
Pittsburgh, Pennsylvania  
February 29, 2016

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**SECTION THREE**

**DESCRIPTION OF AMERICAN PENSION BENEFITS'**

**DAILY VALUATION SYSTEM**

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## **DESCRIPTION OF CONTROLS PROVIDED BY AMERICANPENSIONBENEFITS**

### **OVERVIEW OF APB SERVICES**

APB provides recordkeeping and administration services for participant-directed tax-qualified retirement plans in the context of two arrangements, Balance Forward ("BF") and Daily Valuation ("DV").

In the BF arrangement, APB collects data annually from the Plan Sponsors ("PS") and the investment manager/custodian, prepares the annual valuation of accounts, the Internal Revenue Service ("IRS") Form 5500, and performs discrimination testing and other compliance procedures.

In the DV scenario, APB, in cooperation with PS's and the investment manager/custodian, provides daily valuation and recordkeeping services for DV plans, including daily investment valuations and trades that result from participant contributions, distributions, loans, fees, and transfers among mutual fund investment options. Under the DV arrangement, PS's may select investment options from over 28,000 mutual funds and ETF's offered by more than 200 different fund families on a "load-waived" basis. Alternatively, PS's may choose to have the plan investments managed by Axios Advisory Group Ltd. ("Axios Advisory Group"). The investment management and financial professionals of Axios Advisory Group are located in the APB office facilities.

APB also performs recordkeeping and administration services for defined benefit plans which are not covered by this report. This document addresses APB's administration and recordkeeping services provided to DV plans and does not extend to any other services offered by APB, including services to BF plans or services offered by Axios Advisory Group.

APB in its capacity as recordkeeper and administrator does not hold plan assets and the only transaction APB initiates is calculating and posting administrative fees to the plans. Most transactions are initiated by the PS or plan participants; the remaining transactions, except for the administrative fees mentioned, are "investment originating transactions" such as the reinvestment of dividends, capital gain distributions, and the like.

### **Levels of Service**

APB offers the following levels of service:

APB offers comprehensive services to plans whereby APB has direct contact with the PS. These plans are hereinafter referred to as "APB Plans". APB is responsible for all aspects of administration and recordkeeping for these plans, including preparation of all IRS filings and performance of Employee Retirement Income Security Act ("ERISA") compliance testing.

For APB Plans, APB utilizes a third party conduit bank, MATC, to physically transfer funds to/from plan participants, PS's and the various mutual fund companies, as applicable. All asset custody functions are performed by MATC. APB coordinates and reconciles the movement of funds among the parties with the plan records maintained by APB.

APB is contracted by outside banks to provide DV services for plans referred as "Consultant Plans". APB performs all DV services including ERISA compliance testing, preparing the IRS filings, and calculating required minimum distributions for these plans.

APB is contracted by outside banks to provide DV services for plans referred as "Trustee Serviced Plans". In these situations, APB has limited direct contact with the PS. For these plans, the bank wires all funds to MATC directly. APB performs all DV services including ERISA compliance testing, preparing the IRS filings, and calculating required minimum distributions for these plans.

APB has approximately 8 employees and is headquartered in Wexford, Pennsylvania. As of December 31, 2015, APB performed recordkeeping and administrative services for approximately 124 DV plans.

## **OVERVIEW OF APB CONTROL ENVIRONMENT**

### **Organization Structure**

APB's organizational structure contributes to the control environment by defining key departments with specific areas of responsibility and appropriate lines of reporting. Currently there is a Manager ("MA"), who is also a Plan Administrator and there are two Plan Administrators ("PA") who are each assigned oversight and recordkeeping responsibilities of set groups of plans. The Trading Specialist ("TS") performs the processing and recordkeeping of trades with the mutual fund companies and instructs Mid Atlantic Trust Company ("MATC") regarding the movement of funds between PS's and the mutual fund companies. The TS also imports market prices and investment income, and runs the utility to update the VRU/WEB. There are two Retirement Plan Analysts ("RA") who aid in the processing of contributions, distributions and loans. The Project Manager ("PM") is responsible for plan conversion and for various special projects. The PA's, TS and RA's report to the MA. The MA and the PM report to the President of APB.

### **Corporate Planning**

The planning process is based on the ongoing input of key employees and an analysis of the market place and regulatory environment. Through this process, APB's business strategy is developed and periodically reviewed and refined. Long-range goals and objectives are developed consistent with the business strategy, and management allocates resources necessary to meet set goals and objectives.

### **Human Resources Policies and Procedures**

The APB employee handbook is distributed to all employees when hired. The handbook states that every employee is expected to provide the highest level of service possible and demonstrate professionalism and courtesy in dealing with fellow employees and APB clients and business partners. The employee handbook provides guidance to employees with respect to business conduct, which will enable employees to avoid situations or actions that may adversely affect APB's business position or reputation.

To ensure that the skills and knowledge base of APB's employees is fairly monitored and evaluated, APB performs an evaluation of each employee on an annual basis. The annual reviews are conducted by the MA and the President, on a standardized form, and maintained in the employees' personnel file. APB has set specific guidelines for disciplinary action, up to and including termination of employment, to be taken when an employee's performance does not meet APB's quality standards.

APB maintains a mandatory vacation policy under which, each employee must take five consecutive days of vacation annually. The President tracks vacation time for all employees and has indicated that in 2015 each employee had taken the required five consecutive days vacation.

### **Risk Assessment**

Management is responsible for identifying the risks that threaten achievement of the control objectives stated in the description of the System. Management has implemented a process for identifying relevant risks. This process includes estimating the significance of identified risks, assessing the likelihood of their occurrence and deciding about actions to address them.

However, because control objectives relate to risks that controls seek to mitigate, management thoughtfully identified control objectives when designing, implementing, and documenting the system.

## **Establishing Control Objectives**

APB manages a variety of risks from external and internal sources. A precondition to effective risk management is establishing basic controls and overall control objectives that align these internal and external conditions with the APB's tolerance of risk.

## **Risk Identification**

Regardless of whether the objective is stated or implied, APB's risk assessment process considers all risks that may occur and it is important that risk identification be comprehensive. APB considers significant interactions between itself and relevant external parties that could affect its ability to provide reliable services when establishing internal controls. APB's management considers both internal and external risks including:

### **External Risks**

- Changing customer needs or expectations that could affect service offerings/development, operational processes, services or pricing;
- Technological developments that could affect the nature and timing of various service offerings;
- Competition that could alter marketing or service activities;
- New legislation and regulations that could force changes in operating policies and strategies;
- Acts of nature and catastrophes that could lead to changes in infrastructure, operations or information systems; and
- Economic changes that could have an impact on decisions related to financial, capital expenditures and expansion.

### **Internal Risks**

- A disruption in information systems processing that could adversely affect its ability to operate;
- The quality of personnel hired and methods of training and motivation that could influence the level of control consciousness within the organization;
- A change in management responsibilities that could affect the way certain controls are affected; and
- The nature of APB's activities and employee accessibility to assets that could contribute to misappropriation of resources.

The risk management process focuses on supporting management decisions and responding to potential threats by assessing risks and identifying important controlling factors. The risk management process provides assurance that management decisions are implemented with predictable outcomes.

## **Risk Analysis**

APB's methods for analyzing risks vary largely because APB's risks are difficult to quantify. The process usually involves:

- Estimating the significance of the risk, including severity of impact on operations;
- Assessing the likelihood of the risk occurring; and
- Considering how the risk should be managed.

Once the significance and likelihood of the risk is assessed, management considers how the risk should be managed. This involves judgment based on assumptions about the risk and reasonable analysis of costs associated with reducing the level of risk. Necessary actions are taken to reduce the significance or likelihood that the risk occurs, including reviewing existing controls and establishing new controls.

The following risks are inherent in the services provided by APB:

- Operational risk associated with participant recordkeeping and trading systems;
- Compliance risk associated with regulations for retirement plans and APB's adherence to them;
- Market risk associated with timely and accurate trade execution; and
- Fraud risk associated with access to plan assets.

APB employs procedures designed to mitigate the aforementioned risks. These procedures employ principles such as segregation of duties, required approvals, daily reconciliations, and compliance reviews. Furthermore, management and PA's are held accountable for the integrity and accuracy of all transactions, valuations, and reporting associated with their assigned plans.

### **Monitoring**

The President and MA monitors performance quality and operations as part of normal activities. APB also uses a workflow task management system, wherein projects and tasks are established for each plan. In addition, APB uses key indicator and exception reports related to monitoring oversight activities. Examples of some of these reports include, but are not limited to:

- Reconciliation reports that highlight variances between each plan's mutual fund balance shown on the DV system and the balance shown at the mutual fund company;
- Various activity reports that provide a summary of system processed transactions;
- Transaction reports which detail transactions that were attempted via the VRU/WEB but processing failed;
- Workflow task management project reports used for new plan conversions, daily tasks and processes, ERISA compliance, and monthly and quarterly reconciliations and reporting;
- Reconciliation of daily trading sheets completed by the RA's to the daily trades processed by the TS;
- Exception reports showing market prices not updated when market prices are imported; and
- Transaction reports which show accepted and rejected trade transactions.

## **OVERVIEW OF THE APB INFORMATION SYSTEMS ENVIRONMENT**

### **HARDWARE AND SOFTWARE**

In February 2015, APB began using an application service provider ("ASP") in lieu of the application installed on in house servers. The application is the same; however, the manner in which it is deployed changed. The ASP provides a higher level of service because the service provider is a specialist in managing this application and all the issues around application control, such as backup and recovery, physical server security and maintenance. APB utilizes PC based licensed pension record keeping software maintained on APB's hardware.

#### **Local Area Network ("LAN")**

Personal computers ("PCs") at APB are connected in a client/server network utilizing Windows Server network operating system. The workstations utilize Windows 7 operating systems. The LAN is configured as an ETHERNET network, using TCP/IP communications protocol. Connections are made with CAT-5 UTP to hubs then to the server. APB's LAN is connected to the Internet via a metro ethernet modem and a router.

#### **Application Software**

APB uses SCRA pension recordkeeping software to perform recordkeeping services for all DV plans. Recordkeeping is performed on a participant-by-participant basis and summarized for each DV plan and in turn for all DV plans in total. Using the SCRA software VRU/WEB's functionality, participants may access plan data through a browser via the internet or by phone. Effective February 2015, APB converted to the Relius ASP system, which includes the applicable web and voice servers.

APB utilizes the Mid Atlantic Communication Server (MACS) to automatically send preformatted orders (buy or sell) to the various mutual fund companies and receive order confirmations from the funds.

Other application software includes Microsoft Office, including Microsoft Outlook for email, and Adobe. PensionPro, a task management system used by TPAs, is also used to streamline workflow and increase productivity. Redtail is used to store client documents. Ftwilliam is used for documents and 5500's.

#### **General Data Processing Procedures and Controls**

General data processing procedures and controls establish the control environment in which all transactions are processed. Therefore, the general data processing procedures have an impact on the effectiveness of controls in all applications. APB's general data processing procedures and controls may be described under the following categories:

- Organization and administration
- Backup and recovery
- Disaster prevention and recovery
- Computer operations
- Access to data and programs
- Physical security

## **Organization and Administration**

Segregation of duties is a fundamental preventative internal control. In the data processing area, at APB, the following functions should be segregated:

- Applications programming
- Systems programming
- Computer operations
- Security administration

SCRA software and effective February 2015 Relius ASP is utilized. SunGard Corbel is one of the largest providers of software in the employee benefits industry.

Security Administration of Microsoft operating systems, email and Web transactions are performed by the contracted network administrator.

APB has a written Employee Handbook that covers confidential and proprietary information, data security, business conduct, etc.

## **Backup and Recovery**

APB is using Jungle Disk, provided by Rackspace, for Desktop document backups and an Exchange Server provided by mindSHIFT Technologies/123Together Exchange hosting for email backups.

Files have been restored on numerous occasions without disruption to APB's operations.

## **DISASTER PREVENTION AND RECOVERY**

### **General**

APB has a written disaster recovery plan that focuses on recovery of hardware and communications. However, since the disaster recovery plan has not been fully implemented and tested, APB's ability to maintain operation in the event of a disaster is unclear.

### **Virus Detection Software**

AVG Internet Security 2013 is used to detect and quarantine viruses on workstations and servers.

## **COMPUTER OPERATIONS**

### **Daily Processing**

TS's duties include, but are not limited to:

- Running the utility to update the System for VRU/WEB transactions;
- Running the recurring/rebalance utility;
- Downloading prices from MACS and updating the VRU/WEB with the updated prices;
- Sending the automated trade files from the System to the mutual fund companies via MACS;
- Importing the confirmation files from the previous nights' trades into the System via MACS;
- Importing Self Directed Brokerage balances daily;
- Importing investment income daily;
- Importing the position files into the System via MACS;
- Researching VRU/WEB failed transactions and manually updating the System;
- Processing fee calculations;
- Allocating 12b1 Revenue; and
- Processing 22c-2 requests and uploading them to Mid Atlantic.

### **Voice and Web Transactions**

For transactions initiated through the VRU/WEB, a utility is run at 4PM EST each day to update the System for VRU/WEB transactions. A report is printed of transactions that were processed via the VRU/WEB. In addition, it details transactions that were attempted via the VRU/WEB but processing failed. The TS notifies the PAs of any failed transaction and the PAs research the failed transactions and manually update the System.

## **ACCESS TO DATA AND PROGRAMS**

### **Network Operating System**

Unique, regularly changed passwords meeting complexity requirements control network logon. Employee access to files are controlled by use of groups; the groups are assigned rights to files, and employees are placed in specific groups based on their job descriptions. Most built-in groups are not used; built-in groups associated with high-level privileges are limited to a small number of administrative personnel who require such privileges.

### **Modem Security and Connections to Unsecured Networks**

Employees do not have modems on their PCs. Via the operating system, PCs are "locked down" so risk of adding unauthorized software or modems is managed.

Trading transactions are executed over the Internet.

### **Existing Connections to Unsecured Networks (Internet)**

All employees connect to the Internet through the Metro Ethernet router with firewall capabilities.

### **Web Page**

APB's corporate presence website is hosted by a service provider.

## **Connection to Other Internal Companies**

APB shares the LAN with Axios Advisory Group. Axios Advisory Group is similar in size to APB and is located in the same facility. Axios Advisory Group does not have any other offices or permanent connections with other trading partners. Also, Axios Advisory Group employees are subject to the same computer security requirements as APB employees.

## **Physical Security**

The Domain Controller is located in a server locker in the computer/supply room. The external hard drive and backup tapes, prior to 2012, are stored in a fireproof/waterproof safe designed for media use. In addition, all computers and servers are physically secured with locks and tethers.

## **PLAN RECORDKEEPING AND ADMINISTRATION SOFTWARE - KEY FEATURES**

### **SunGard Corbel Relius™ Administration Software**

APB uses SCRA pension recordkeeping software to perform recordkeeping services for all DV plans.

SCRA is an integrated solution for automated recordkeeping, compliance testing and reporting.

Key features include, but are not limited to:

- Allows unlimited investment funds for each plan.
- Maintains historical investment election records and processes directed investments.
- Maintains separate eligibility and vesting for each source of funds.
- Includes sophisticated loan processing capabilities, including automatic posting of loan payments, participant loan statements and automatic calculation of principal and interest.
- Updates the value of an employee's account and plan assets, daily.
- Daily reconciliation of the plan's fund closing positions to participant records.
- Access to plan and participant activity logs.
- Separate allocation/confirmation of expenses, investment income and fund earnings.
- Ability to check the entered or imported matching contributions per PS file against the software calculated match.

The SCRA software VRU/WEB functionality provides a participant with 24-hour a day account access through a browser via the internet or by a telephone. Using the website or a touch-tone telephone, a participant, upon entering their social security number and personal identification number (“PIN”), is able to access account information and initiate certain transactions. Using the website or a touch-tone telephone, participants are able to:

- Inquire regarding fund prices, balance by fund, total account balance, investment elections, etc.
- Request fund transfers
- Change investment elections
- Request loan applications
- Change their user identification and password

The SCRA software Plan Sponsor functionality provides Plan Sponsors with 24-hour a day account access to their specific plans via the internet. Using the website, a Sponsor, upon entering their user identification and password, is able to access account information and plan reports. Using the website, Sponsors are able to:

- Inquire regarding fund prices, balance by fund, total account balance, investment elections, etc;
- Retrieve plan level reports;
- Access the data validation center to upload their payroll files; and
- Change their user identification and password.

### **Mid Atlantic Communication Server**

The MACS is utilized to execute trades directly with the mutual fund companies. Trades generated from the System are communicated, using MACS, to the mutual fund companies. Funds are wired to/from MATC, depending on whether there are net "buys" or "sells". The mutual fund companies confirm with APB trades and balances via MACS, daily. Some of the features MACS offers include:

- The MACS enables APB to execute trades directly with over 28,000 mutual funds and ETF's from more than 200 different fund families.
- APB obtains validated prices for each mutual fund from MACS for the current day's closing prices.
- Buys and sells among mutual funds related to participant transfers can be executed on the same day. Some transfers, depending on the fund company, may take up to two days to settle.
- Dividend income is posted daily to the plans and to the participant's accounts.
- Self-directed brokerage account balances are posted daily to the applicable participant's accounts.
- MACS is utilized to balance plan assets to the mutual fund positions on a daily basis.

## OVERVIEW OF APB OPERATIONS

### Introduction

In previous sections of this report, APB's DV recordkeeping and administration hardware and software along with certain features related thereto, were discussed. The following section provides an overview of APB's operations, as it relates to DV plans, focusing more so on the manual controls and processes, which APB utilizes in operating the System.

### New Plan Conversions

Once APB reaches an agreement to provide DV services with a PS, APB will then begin the conversion process. In order to manage the conversion and to ensure the appropriate steps are taken to accurately and efficiently convert the plans to APB's System, six separate projects are established through the PensionPro workflow system. The six projects are Contracts & Agreements, Initial Setup, Gathering of Information, Plan Document Restatement, Relius Setup Project and Finalize. These projects are managed by the PM and certain steps are reviewed by the applicable PA and RA.

The first step in the conversion process is to execute a series of agreements and forms between the PS and APB, which include, but are not limited to the following:

Service Agreement -This document is signed by APB and the PS and contains specific information regarding the responsibilities of each party and in particular the services, which APB will provide to the plan. It describes the types and amounts of fees that will be charged.

Mid Atlantic Account Agreement -This document is signed by the PS and Mid Atlantic Trust Company. This document provides the general operational structure and serves as the governing document for the account between MATC and the PS. In addition, the document contains specific information regarding the cashiering and custodial responsibilities of MATC. In addition, appoints MATC as broker-dealer of record.

In addition to the above-mentioned documents, there are various other agreements and letters exchanged between APB and the PS to ensure an accurate conversion to APB's System.

Prior to the participant account balances being loaded to the System, the PS provides the participants with information regarding the available investment fund options and information on how to access the APB website. Prior to a deadline specified by the PS, and before the account balances are transferred, plan participants must set up their user name and password through APB's website and make their investment elections. The total of the investment elections must be 100%. When the participant's account is converted to the APB System, the funds are invested in the participant's elected investments. If the participants did not choose their investment elections by the specified deadline, the participant's account is invested in a default investment selected by the PS.

In most cases, the prior recordkeeper sends APB a file containing participant information, including the participant account balances that are being converted. The file is automatically uploaded into APB's System. Smaller plans may have participant information sent by the prior recordkeeper that is required to be manually entered by APB. In both cases, APB confirms that participant account balances are entered correctly into the System by printing a report from the System detailing the participant information and account balances that were either uploaded or manually entered into the System and compares it to the file or manual information received from the prior recordkeeper.

Once plan assets are set up on the System, APB then begins tracking plan assets and activity on a daily basis. Such activity includes contributions, distributions, loans, fund income allocations, transfers among funds, assessment of APB fees (when paid by the plan), and reconciliation's performed to ensure all activity in and out of the mutual funds is properly reconciled by participant, plan and in total for all DV plans to positions reflected at MATC.

APB's DV plan assets are invested in a plan-level account. The mutual funds are established on a plan-level, and one plan account per mutual fund is opened in the name of the plan by MATC.

### **Plan Reconciliations**

APB reconciles plans on a weekly basis, using MACS. Positions for each plan's investments are transmitted daily using MACS. Reconciliation reports are produced which compares each plan's mutual fund balance shown on the DV system to the balance shown at the mutual fund company via MACS. Any discrepancies are investigated and corrected as necessary. Any changes made to daily System entries in order to balance must be approved by the MA.

On a monthly basis, APB will process fee assessments (see later discussion). On a quarterly basis, participant statements are uploaded to their individual accounts via the participant website for viewing. At the same time, APB uploads to the sponsor website the participant statements as well as other quarterly reports.

### **Statements and Reporting**

Once APB reconciles using MACS, APB produces participant statements and employer reports. These are typically produced on a quarterly basis within 15 calendar days of the end of the reporting period. In addition to the standard quarterly reporting, annual summarization reports to assist with plan auditing and account tracking are produced. In order to ensure the accuracy of participant statements, each plan is put through a series of statement processing edits designed to confirm accuracy prior to production. These edits review that participant level records are consistent with the plan as a whole that prior period information carries over properly as the starting value of the current period. Although investment inconsistencies will have been addressed prior to running these edits, there are a variety of other items reported on statements that are verified for accuracy.

In order to manage the quarterly and annual administration required for DV plans, and to ensure the appropriate steps are taken to accurately and efficiently complete, projects are established through the PensionPro workflow system. These projects are managed by the MA and individual tasks are completed by the PA's and RA's.

As the participant statements and other plan reports are key tools that are used in plan auditing and plan reviews, the MA controls the posting of the final reports. The MA reviews any issues that were noted by the PA's and RA's.

In addition to the participant statements, APB produces other administration reports that assist plan sponsors and auditors in completing their required tasks. On an annual basis, a complete package of reports is produced and delivered via a secure FTP site to assist with plan audits.

### **Daily Trading of Mutual Funds**

The daily contributions, distributions, transfers, or other activity are entered/imported into the System on a plan basis. In addition, daily trading sheets are completed by each RA for the trades to be made for contributions and distributions, by plan and amounts. In addition, the TS updates the daily trading sheets for the trades that are to be made to account for the activity that occurred through the VRU/WEB.

For each plan, an "Unordered Trades" file is generated, which shows the dollar certain and/or unit certain trades that should be traded from the plan for the day. The TS transmits the "Unordered Trades" file to the mutual fund companies using MACS. The TS reconciles and balances the daily trading sheets to the trades processed for the day. The TS receives a "Success or Warning" result from MACS which indicates all trades were successful or something was rejected. The TS researches rejected trades and reprocesses the trade.

The next day the TS receives the "Settled Orders" file via MACS confirming the previous day's mutual fund trades. This file is uploaded into the System finalizing the mutual fund trades for each plan and participant. The TS's computer is the only computer configured to process trades for which a logon ID and password is required.

### **DV Plan Transactions**

The previous section of this report discussed daily trading of mutual fund shares and the daily and/or monthly reconciliation of DV plan assets to information reported by MACS. The following sections discuss the specific types of DV plan transactions, which occur on a daily basis and the procedures and controls utilized by APB in recording such transactions in the System.

### **Participant/Plan Sponsor Contributions**

Contributions to DV plans are made in various forms including salary deferrals, employer matching contributions, safe harbor contributions, employer discretionary contributions, and rollovers from other qualified plans, with the most common contributions consisting of salary deferrals, employer matches and safe harbor contributions.

The majority of PS's submit DV plan contribution data to APB in an electronic format, whereby the PS downloads all salary deferral contributions as well as PS calculated employer level contribution data by participant, along with other relevant information, into a file format specified by APB. APB requires PS's to upload the file to APB's website with a few exceptions for PS's that are unable to do so. These PS's either email over the Internet or fax APB. PS's will also instruct APB how to fund the contribution when they upload their contribution through the website. They indicate ACH Pull, Check or Wire. Their banking information then shows up for them. If there are any special instructions, they indicate such in the "Special Instructions" section on the website.

For those few exceptions that don't upload via the website, these PS's must prepare, and fax or email to APB, a contribution transmittal form and remit contributed funds via wire transfer, check, or ACH to MATC. If APB is to debit their account through ACH, they must indicate this on their contribution transmittal form. The contribution transmittal form indicates, among other things the plan name, payroll-ending dates, the date, time, and amount of fund transfer to MATC or date in which their account should be debited through ACH. The form also includes a breakdown of the contribution according to the various forms specified above.

APB generally receives the upload of the contribution file and/or transmittal form within one to two days of the PS's payroll date, and PS's generally transfer funds to MATC within one day of the payroll date.

For contributions uploaded through the website; the RA reviews these through the System in the STP function. The RA reviews the file and compares contributions by amount, type and in total to the data per the faxed or emailed transmittal form. The RA investigates any discrepancies before processing the contribution data into the System. The RA processes the contribution file into the System, which updates the balances in each participant account. The System generates the "Unordered Trades" file which shows the number of shares and/or dollars that will be traded by mutual fund from the plan for the day. (Refer to Daily Trading of Mutual Funds). Contributions are then reviewed by each PA for timing, accuracy and errors.

All DV contributions are managed by the PensionPro workflow system. Every plan has its own project which is customized to their payroll. Projects are automatically regenerated for the next payroll upon completion. These projects also allow APB to monitor late contributions.

As per the previously specified agreements, APB processes contributions within three days of receiving the information from the PS's. The majority of the time they are processed the same day if on or after the DV payroll date and received by 1 p.m.

## **Distributions**

In order to obtain a partial distribution, such as an in-service or hardship distribution, or a complete distribution, as in the case of employment termination, DV plan participants must request the distribution from the PS's Plan Representative ("PR").

For APB and Consultant Plans, the "distribution election form" is completed by the participant and returned to the PR. The form includes the participant's name, address, social security number, indicates the amount and type of distribution (e.g. termination, hardship or etc.), withholding information, payee information, method of payment (e.g. check or wire transfer) and mailing instructions. The PR authorizes the distribution and faxes or emails to APB or upload via our secure website. APB processes the distribution taking into consideration the plan provisions, the participant's vested account balance and other relevant data.

For Trustee Serviced Plans, the PR completes a "participant withdrawal request form" which summarizes the information contained in the "distribution election form". This form is signed by the PR but is not required to be signed by the participant, as per APB's contract with Trustee Serviced Plans. The PR is required to obtain and keep on file the "distribution election form" signed by the participant.

The PR submits the "participant withdrawal request form" or the "distribution election form" to the PA or RA. APB processes the distribution taking into consideration the plan provisions, the participant's vested account balance and other relevant data.

Distributions may be "dollar certain", such as in the case of a hardship withdrawal, whereby the DV plan participant indicates the specific dollar amount to be withdrawn from the plan. The other and most common form of distribution is referred to as "dollar amount unknown", such as in the case of a total withdrawal upon termination of employment.

In a dollar certain distribution, APB sells mutual fund shares, from the participant's account, to achieve the specific dollar amount of the withdrawal based on the most recent closing market prices of mutual fund shares. For dollar amount unknown distributions, APB distributes only the proceeds that result from the sale of all the participant's mutual fund shares in the plan.

The RA's enter the distribution into the participant's account on the System. For dollar certain distributions, the System will generate a sell order based on the prorata fund shares owned in the participant's account unless specified otherwise by the participant. The actual number of shares sold will depend upon the day's closing market value of the mutual fund shares to achieve the requested distribution amount. When trades are confirmed, generally the following afternoon, the TS updates the System for the actual number of shares sold to facilitate the transaction as confirmed via MATC. In the dollar amount unknown scenario, all shares held in the participant's account are liquidated and the participant is entitled to the proceeds which result based on the market value of shares at the time of trade. The following afternoon, the TS updates the System to reflect shares traded from the participant's accounts.

After the TS confirms the trades via MATC, the RA's run a disbursement report which shows the disbursement amount and other relevant information by participant. For APB and Consultant Plans, the RA's enter relevant information onto the MATC website which produces the distribution check and 1099-R. For Trustee Serviced Plan's, the RA's update the participant withdrawal request form and faxes or e-mails these forms to the PR. These forms will enable the PR, for Trustee Serviced Plans, to match incoming wire transfers from MATC and provides the Trustee Serviced Plan specific instructions regarding payee and mailing information.

Disbursements are made according to participant instructions and federal income tax is withheld from distributions to participants who have not satisfied age or other specific criteria as indicated on the "participant withdrawal request form" or the "withdrawal transmittal form". Checks are mailed directly to the participant from MATC.

MATC is responsible for preparing and mailing the form 1099-R for APB and Consultant Plans. APB is not responsible for preparing/disseminating 1099-R's for the Trustee Serviced Plans.

## **Loans**

Plan participants may request new loans via the VRU/WEB. As prompted by the participant requests submitted via the VRU/WEB, the RA's prepare a loan package taking into consideration DV plan provisions, participant vested account balances and other relevant data and emails the loan package to the PS.

The loan package includes, among other things, the note specifying the loan amount, interest rate, payment amount, Federal Truth-In-Lending Disclosure, and other relevant data. The PS obtains participant approval of and signature on the loan package documents and returns a copy of the package to the RA's. The PS inputs the loan payments into their payroll system and the loan payments are remitted to APB along with the periodic contribution information and are posted to the individual participant account by principal and interest.

The RA's review all information for completeness and appropriate signatures and posts the loan information into the System, which will result in a dollar certain sell order of mutual fund shares based on the prorata fund shares owned by the participant. The processing of trades and related reconciliation of APB data is similar to that of dollar certain distributions; see previous discussion.

Once loan trades are confirmed by APB via MATC, the RA's request the loan checks from the cash and settlement services via MATC's website so proceeds can be properly distributed to the plan participants. Checks are mailed directly to the participant from MATC. For Trustee Serviced Plans, the "Participant Withdrawal Request Form" is completed and faxed to the PR.

When performing quarterly reconciliations, APB runs a report to check for delinquent loans. Any past due loans are noted on the quarterly reconciliation and the PS is notified. APB provides the PS all the necessary information to provide the participant with all the options to make the loan current. If no action is taken to bring the loan current, APB classifies the loan as a deemed distribution and a 1099-R is issued.

### **Transfers Among Funds**

There are two types of fund transfers, plan-level and participant level. Plan-level transfers occur when a plan changes mutual fund investment options or as a result of a change in investment philosophy by the plan. Participant level transfers, which are more common, are generally communicated to APB via the VRU/WEB. Plan-level transfers, which do not occur frequently, are communicated by the PR to APB and must be manually entered into the System by APB. A project is created through PensionPro to facilitate the transfer process.

At 4:00 p.m. each day, the TS runs a utility to update the System for VRU/WEB transactions. It captures and processes transactions that were done from a time period of 4:00:01 of the prior day to 4:00:00 of the current day. A report is printed of transactions that were processed via the VRU/WEB. It also details transactions that were attempted via the VRU/WEB but processing failed. These failed transactions are emailed to the RA's and investigated and rectified accordingly.

The trades necessary to transfer participant assets between various mutual funds are processed with all other trades each evening. APB places trades for both sell and buy the same day. See previous discussion regarding daily trading of mutual funds.

### **Market Value Updates**

On a daily basis after 8:30 a.m. Eastern time, the TS builds a file from the MACS consisting of the prior day's closing market prices for all mutual funds in which DV plan assets are invested. When downloading, using MACS, the date and time will change to current and a successful download is indicated with a green checkmark. If something goes wrong during the download, the system notifies the TS with a warning. If this occurs, the download is attempted again. If still unsuccessful, the TS will contact MidAtlantic.

The file of market prices is imported into the System and all DV plan and participant account balances are updated for the current market values. The TS reviews the activity log for errors related to importing market prices and failed trades, and researches any errors and makes necessary corrections. Once all updated market prices are downloaded into the System, the TS runs a utility which updates the VRU/WEB with updated participant account information from the System.

## **Fee Processing**

Plan fees which are paid from plan assets are processed on a monthly basis. The TS enters the month end plan asset value into a spreadsheet workbook used to calculate APB's monthly fees. Fees are calculated based upon the plan's service agreements. In addition, APB charges set fees for distribution and loan processing at the time of the transaction.

Once the fee workbook is complete, it is printed and submitted to the Director of Accounting who reviews the fee calculation for reasonableness. If it is the initial fee being calculated, the Director of Accounting performs a more detailed review of the calculation. Once the fee workbook is reviewed for reasonableness, it is forwarded back to the TS who enters the fee into the System. Generally on the first day of the month, the TS will enter the fees for each plan into the System which will automatically generate a mutual fund sell order based on the prorata fund shares owned by the plan. The System generates the "Unordered Trades" file which shows the number of shares and/or dollars that will be traded by mutual fund from the plan to fund the fee. (Refer to Daily Trading of Mutual Funds). The mutual fund trades made to fund the fees, from the date the fee is entered until the date of trade confirmation from MACS is received, is processed in one day. All other plan activity, except contribution processing, during this day is suspended until the fee trades are processed.

Some plans may be set up to have the PS pay the fee rather than have the fee charged to the plan assets. These fees are calculated based upon the plan's service agreements and billed directly to the plan sponsor at the end of each quarter.

## **Dividends/Interest/Capital Gain Allocation**

APB uploads dividends daily to each plan level plan via MACS. The System allocates the dividend income to each participant proportionately based on the shares owned in the specific fund as of the date of record. Generally, dividends are updated in the system within two days of the pay date. If dividend income is not properly uploaded from MACS, the discrepancy would be discovered during the daily reconciliation of the plan.

## **Revenue Sharing**

Mid Atlantic reports revenue sharing to APB on a monthly basis. Based upon the plans service agreement and/or Mid Atlantic account agreement these amounts are allocated accordingly. During the last two weeks of every calendar quarter, the plans are credited.

## **USER CONTROL CONSIDERATIONS**

The DV System was designed under the assumption that certain internal controls would be placed in operation by the PS's of DV plans. There may be additional control objectives that PS's and participants should implement and/or maintain which APB cannot perform, and accordingly are not identified in this report.

## USER CONTROL CONSIDERATIONS (CONTINUED)

This section describes certain controls that PS's and plan participants should consider to achieve the control objectives specified in this report. The user control considerations presented below should not be regarded as a comprehensive list of all controls that should be utilized by PS's and the participants.

1. PS's should consider what level of service APB provides to their plan.
2. For new plan conversions to APB's System, PS's should have procedures in place to ensure an accurate submission of employee census data and other plan information necessary for APB to perform DV services.
3. PS's should have procedures in place to ensure any changes in census data, plan provisions, and other information are timely reported to APB.
4. Procedures should be in place to ensure payroll deductions, including loan repayments, from participant compensation and PS's matching contributions are properly and timely reported to APB via an electronic file.
5. PS's should have procedures in place to ensure that funds wired match total contributions per the contribution file submitted to APB.
6. PS's should have procedures in place to accurately withhold and remit loan repayments from participant compensation along with periodic contribution information.
7. PS's are responsible for complete and accurate submission of all documentation associated with distribution and loan transactions to APB.
8. Trustee Serviced Plans should have procedures in place to obtain and maintain on file the "participant withdrawal request form" signed by the participant, supporting participant distributions.
9. PS's are responsible for reviewing DV plan balance information and activity on a plan and participant level basis per quarterly reports submitted to PS's by APB and timely notifying APB regarding any discrepancies identified.
10. DV plan participants should review their quarterly statements provided by APB for appropriateness of activity.
11. PS's should have procedures in place to review investments and quarterly and annual plan reports for accuracy of dividends and capital gains.
12. PS's should have procedures in place to monitor service agreements.
13. PS's should have procedures in place to ensure accurate submission of data to APB necessary for annual compliance procedures and timely filing of IRS Form 5500 prepared by APB or the PS's consulting benefits firm.
14. PS's should have procedures in place to ensure Form 1099's for distributions are properly and timely remitted to participants.

## **USER CONTROL CONSIDERATIONS (CONTINUED)**

15. PS's are responsible for the prevention and detection of fraud involving their plans, and for establishing and maintaining a system of internal control for their plans. Thus, user auditors should consider whether controls are in place at plan sponsors to prevent and detect fraud.
16. PS auditors, if applicable, should determine the effectiveness of controls for the SCRA, MATC, and MACS, by obtaining and reviewing the separate SSAE 16 reports for these service organizations.

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**SECTION FOUR**

**INFORMATION PROVIDED BY THE SERVICE AUDITOR**

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## **INFORMATION PROVIDED BY INDEPENDENT SERVICE AUDITOR**

### **PURPOSE AND OBJECTIVES OF THE REPORT**

This report on the controls placed in operation is intended to provide interested parties with information sufficient to obtain an understanding of the services provided by APB, specifically Daily Valuation System. This information, about the controls, may be relevant to customer organizations' internal control and may reduce the assessed level of control risk below the maximum for certain financial statement assertions. This report, when combined with an understanding and assessment of the internal controls at user organizations, is intended to assist in the assessment of internal controls surrounding transactions processed by APB.

Our examination was limited to selected services provided to users of the aforementioned functions of APB and accordingly did not extend to procedures in effect at user organizations.

We performed an examination of the description of controls related to APB's System and the suitability of the design and operating effectiveness of APB's controls to achieve the related control objectives stated in the description which involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. It is each user organization's responsibility to evaluate this information in relation to internal control at their organization to obtain an overall understanding of internal controls and assess control risk. The portions of internal control provided by the user organizations and APB must be evaluated together. If effective user controls are not in place, the controls of APB may not compensate for such weaknesses.

Our examination included inquiries of the appropriate management, supervisory, and staff personnel; inspection of documents and records, observation of activities and operations; and tests of controls surrounding and provided by APB. Our tests of controls were performed on internal controls as they existed during the period from January 1, 2015 through December 31, 2015, and were applied to those controls relating to control objectives specified by APB.

The description of controls and control objectives are the responsibility of APB's management. Our responsibility is to express an opinion that the controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives, specified by APB's management, were achieved during the period covered by the report.

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**SECTION FIVE**

**TESTS OF OPERATING EFFECTIVENESS**

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## TESTS OF OPERATING EFFECTIVENESS

Our tests of the operational effectiveness of controls were designed to cover a representative number of transactions throughout the period of January 1, 2015 through December 31, 2015, for each of the controls listed in Section Three, which are designed to achieve the specific control objectives. In selecting particular tests of the operational effectiveness of controls, we considered (a) the nature of the items being tested, (b) the types of available evidential matter, (c) the nature of the audit objectives to be achieved, (d) the assessed level of control risk, and (e) the expected efficiency and effectiveness of the test.

Testing and report applies to APB's Wexford, Pennsylvania office location and the APB Daily Valuation System environments only. Test performed of the operational effectiveness of controls are described below:

Test	Description
Corroborative Inquiry	Made inquiries of appropriate personnel responsible for the performance of the control activity and corroborated responses with management to ascertain compliance with the controls.
Observation	Observed the application of a specific control activity.
Inspection	Inspected documents and reports indicating the performance of the control activity.
Reperformance	Obtained documents used in the monitoring activity or manual control activity and independently reperfomed the procedures described, comparing results with those achieved by the individual responsible for executing the control.

***CONTROL OBJECTIVE 1: CONTROLS PROVIDE REASONABLE ASSURANCE THAT THE PLAN ASSETS FOR NEW DV PLANS ARE PROPERLY TRANSFERRED TO THE DESIGNATED MUTUAL FUND INVESTMENT OPTION AND THE RELATED RECORDKEEPING OF NEW PLANS IS PROPERLY SET-UP IN THE SYSTEM BY PARTICIPANT, PLAN AND INVESTMENT OPTION.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
1.1	Projects for the conversion process are established in the workflow system and tasks are signed off in the workflow que as the projects are completed.	For a sample of new plans, inspected the use of and sign off within the workflow system.	No exceptions were noted.
1.2	APB requires a service agreement and fee agreement for each DV plan signed by the PS and APB.	For a sample of new plans, inspected conversion files and verified there was a signed service agreement and fee agreement on file.	No exceptions were noted.
1.3	PS's must submit a copy of the Summary Plan Description in order for APB to properly record keep and administer the DV Plan.	For a sample of new plans, inspected conversion files and verified there was an appropriate Summary Plan description on file.	No exceptions were noted.
1.4	The asset information provided by the PS is reconciled to the total assets uploaded into the System. The asset information by participant provided by the PS is agreed to the account balance in the System after conversion.	For a sample of new plans, inspected and agreed the asset information supplied by the PS to the account reconciliation prepared by APB after the plan assets were uploaded to the System. For a sample of new DV plans, ascertained through reperformance for a sample of participant account balances, that the individual balances prior to conversion agree to the individual APB balances subsequent to conversion.	No exceptions were noted.  No exceptions were noted.
1.5	Plan participants set up their user name and password through APB's website and make their investment elections. The total of the investment elections must be 100%. When the participant's account is converted to the APB System, the funds are invested in the participant's elected investments.	Reperformed procedures to test the system security by attempting to log on electronically for a sample client, using a dummy participant, by entering an incorrect social security number and PIN. For a sample of new DV plans selected a sample of participants, and verified investments were made in accordance with the participant's authorization.	No exceptions were noted.  No exceptions were noted.

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
1.6	APB performs daily and quarterly reconciliations of shares/assets owned per the System, by plan and in total for all plan-level plans, to shares/assets maintained by the mutual fund companies. Out of balances are researched and resolved in a timely manner.	For a sample of plans, ascertained through reperformance that plan-level reconciliations are performed quarterly and verified agreement between APB records and the mutual fund companies. Inspected documentation that out of balances are researched and resolved in a timely manner.	No exceptions were noted.
1.7	For all plans, participants and PRs receive information regarding plan investments and activity.	Through corroborative inquiry of Management, verified that plan participants and PRs receive quarterly statements reflecting investments balances and transactions.  Inspected quarterly reports provided to the participants and PR.	No exceptions were noted.  No exceptions were noted.

***CONTROL OBJECTIVE 2: CONTROLS PROVIDE REASONABLE ASSURANCE THAT PAYROLL CONTRIBUTIONS ARE RECORDED COMPLETELY, ACCURATELY AND TIMELY***

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
2.1	The majority of PSs upload an electronic file by participant detailing salary deferrals, matching contributions, rollover amount and loan repayments, etc., to APB's website. The PM distributes the file to the RA. The RA reviews the electronic file and investigates any discrepancies. The RA imports the electronic contribution file into the System.	For a sample of contributions, inspected the contribution per the electronic file submitted by the PS and agreed it to the System verifying the file was properly imported, agreeing the total contribution, salary deferral, matching contributions, rollover, and loan repayments shown on the electronic file to the amount posted to the System	No exceptions were noted.
2.2	For the PSs that do not upload to the APB website, the PS faxes or emails the contribution transmittal form to APB which shows the plan name, payroll ending dates, date, time, the amount of the fund transfer, and details the total contribution by such items as salary deferrals, matching contributions, rollover, loan repayments, etc. The PS also faxes or emails the detail contribution listed by participant. The PM distributes the contribution transmittal form and the detail contribution by participant to the RA who reviews and investigates any discrepancies before posting to the System.	For a sample of contributions, agreed the detail contribution listed by participant to the contribution transmittal form.  Agreed the detail contribution listed by participant to the System verifying the contribution was properly posted, agreeing the total contribution, salary deferral, matching contributions, rollover, and loan repayments.	No exceptions were noted.  No exceptions were noted.
2.3	When the file is imported into the System, contributions are automatically posted to the participant account.	For the sample of contributions, selected a sample of participants and traced their contribution amount shown on the contribution file submitted by the PS to the participant's individual account on the system.	No exceptions were noted.

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
2.4	<p>On an annual basis, reports are generated from the System, which contain plan census information. The reports are sent to the PS, who reviews the census data, and updates the report for new hires, terminations, current year compensation, current year deferral amounts, etc. The PS returns the updated reports to the PA, who uses the information in annual testing. The contributions from the returned census report are agreed to the contributions in the System, providing assurance that the amount contributed by each plan participant during the year matches what was recorded in the System.</p>	<p>For a sample of plans, inspected reports sent to the PS and the census reports returned by the PS to confirm the PA sent census data to the PS during the annual reconciliation.</p>	<p>No exceptions were noted.</p>
2.5	<p>See 1.6 and 1.7 under Control Objective 1.</p>		

***CONTROL OBJECTIVE 3: CONTROLS PROVIDE REASONABLE ASSURANCE THAT DAILY TRADING OF MUTUAL FUNDS IS PROPERLY RECORDED IN A TIMELY MANNER.***

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
3.1	Daily, the TS follows a documented list of procedures to ensure all trading processes are complete.	Inspected the list of procedures and observed the TS utilize such list in the trading process.	No exceptions were noted.
3.2	A daily trading sheet is completed by each PA for trades made for contributions and distributions by plan and amounts. The TS updates the daily trading sheets for trades that are to be made to account for the activity that occurred through the VRU/WEB. The TS reconciles and balances the daily trading sheets to the trades processed for the day.	Observed the TS reconcile and agree the daily trading sheet to the trades processed for the day.  Selected a sample of daily trading sheets, and reperformed the reconciliation of the daily trading sheets to the trades processed for the day.	No exceptions were noted.  No exceptions were noted.
3.3	For each plan, the System generates an "Unordered Trades" file, which shows the number of units and dollars traded by mutual fund from the plan for the day. The "Unordered Trades" file agrees to the plan's contribution or distribution amount.	For a sample of contributions, inspected the electronic file submitted by the PS supporting the contribution amount, and agreed it to the "Unordered Trades" file.  For a sample of distributions, inspected the withdrawal request form or the distribution election form and agreed it to "Unordered Trades" file.	No exceptions were noted.  No exceptions were noted.
3.4	The TS transmits the "Unordered Trades" file to the mutual fund companies via MACS. The next day, the TS receives the "Settled Orders" file via MACS, which shows the settled mutual fund trades.	For a sample of contributions and distributions, inspected the "Unordered Trades" file and the "Settled Trades" file and verified they are in agreement.	No exceptions were noted.
3.5	Contributions are recorded by APB and invested in the mutual funds within three days from the date APB receives the contribution file from the PS.	For a sample of contributions, observed that the contributions were entered into the System within three days of receiving the contribution information from the PS.	No exceptions were noted.
3.6	The TS receives a "success or warning" result from MACS which indicates all trades were successful or something was rejected. The TS researches rejected trades and reprocesses the trade.	Inspected a sample of transaction reports from throughout the year and verified that rejected trades are researched and reprocessed timely.	No exceptions were noted.
3.7	See 1.6 and 1.7 under Control Objective 1.		

**CONTROL OBJECTIVE 4: CONTROLS PROVIDE REASONABLE ASSURANCE THAT DISTRIBUTIONS AND LOANS ARE PROPERLY AUTHORIZED.**

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
4.1	Distributions and loans require the authorization of the PR and/or participant.	<p>For a sample of distributions made for APB and Consultant Plans, inspected the distribution election form signed by the participant and verified the distribution amount.</p> <p>For a sample of distributions made for Trustee Serviced Plans, inspected the participant withdrawal request form signed by the PR and verified the distribution amount.</p> <p>For a sample of loans, inspected the promissory note signed by the participant and agreed it to the loan amount recorded in the System.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p> <p>No exceptions were noted.</p>
4.2	See 1.6 and 1.7 under Control Objective 1.		

***CONTROL OBJECTIVE 5: CONTROLS PROVIDE REASONABLE ASSURANCE THAT DISTRIBUTIONS AND LOANS ARE PAID TO THE PARTICIPANT IN THE APPROPRIATE AMOUNT.***

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
5.1	Distributions and loans are paid based on participant withdrawal request forms and vested participant account balances.	<p>For a sample of distributions and loans, observed that such distributions and loans were made based on the data per the System and the vested participant account balances.</p> <p>For a sample of distributions, inspected the participant withdrawal request form or the distribution election form and traced and agreed it to the amount posted in the participant's individual account.</p> <p>For a sample of loans, inspected the promissory note and agreed it to the amount posted in the participant's individual account.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p> <p>No exceptions were noted.</p>
5.2	Loans are supported by the ERISA required loan documentation signed by the participant, and loan terms are in accordance with ERISA.	<p>For a sample of loans, inspected the promissory note and agreed loan amount, interest rate and terms to amount reported in the System.</p> <p>For a sample of loans, determined that the loan terms are in accordance with ERISA.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p>
5.3	APB generates an amortization schedule for the loan, which indicates the date loan payments begin and end, and the amount of the loan payment. The amortization schedule is provided to the PR informing them of the loan amount to be withheld from the participants account.	For a sample of loans, inspected the loan amortization schedule and agreed it to the terms in the promissory note.	No exceptions were noted.
5.4	See 1.6 and 1.7 under Control Objective 1; See 3.3 and 3.4 under Control Objective 3.		

***CONTROL OBJECTIVE 6: CONTROLS PROVIDE REASONABLE ASSURANCE THAT TRANSFERS AND INVESTMENT ELECTION CHANGES INITIATED BY PARTICIPANTS VIA THE VRU/WEB ARE PROPERLY AUTHORIZED AND ARE PROPERLY RECORDED IN THE APPROPRIATE INVESTMENTS.***

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
6.1	Participant access to the VRU/WEB is restricted. The participant is required to enter their social security number and a PIN to access the VRU/WEB.	Reperformed procedures to test the system security by attempting to log on through the WEB and the VRU for a sample client, using a dummy participant, by entering an incorrect social security number and PIN.	No exceptions were noted.
6.2	A utility is run daily to update the System for transactions initiated through the VRU/WEB. Daily, the TS receives a report showing transactions initiated via the VRU/WEB and posted to the System. Failed transactions are flagged as "could not be processed". Failed transactions are researched and posted timely.	Through corroborative inquiry of Management and observation of the process for posting transactions initiated by the VRU/WEB, failed transactions are flagged as "could not be processed."  Selected a sample of failed transactions and inspected documents to verify transaction was researched and posted timely.	No exceptions were noted.  No exceptions were noted.
6.3	Investment option transfers and investment election changes initiated by participants per the VRU/WEB are accurately updated to the System and transferred to/from the appropriate participant investment options.	For a sample of transfers and investment election changes initiated by participants via the VRU/WEB, inspected transfers per the VRU/WEB and agreed it to the participant's individual account on the System, noting transfer of designated amount to/from the appropriate mutual funds.	No exceptions were noted.
6.4	See 1.6 and 1.7 under Control Objective 1.		

***CONTROL OBJECTIVE 7: CONTROLS PROVIDE REASONABLE ASSURANCE THAT INVESTMENT INCOME IS RECORDED IN A TIMELY MANNER.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
7.1	The TS imports dividends daily from MACS.	Observed the TS import dividends.	No exceptions were noted.
7.2	Daily, the TS follows a documented list of procedures to ensure all processes are complete.	Inspected the list of procedures and observed the TS utilize such list in daily processing.	No exceptions were noted.
7.3	See 1.6 and 1.7 under Control Objective 1.		

**CONTROL OBJECTIVE 8: CONTROLS PROVIDE REASONABLE ASSURANCE THAT INVESTMENTS ARE PROPERLY VALUED ON A DAILY BASIS.**

Ref	Controls Specified by American Pension Benefits	Testing Performed by Lally & Co., LLC	Results of Tests
8.1	Mutual fund shares per the System are properly valued, on a daily basis, based on the closing market prices at the close of the most recent day of trading.	<p>Observed the TS download market prices for all mutual funds in which DV plan assets are invested. Observed the upload of the updated prices into the System.</p> <p>Selected a sample of plans and a sample of mutual funds and inspected documentation from independent sources to support market prices used in the valuation of the investments</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p>
8.2	When downloading market prices the date and time will change to current and a successful download is indicated with a green checkmark	Observed the download process noting the date and time changing to current and the green checkmark indicating a successful download.	No exceptions were noted.
8.3	The TS reviews the daily activity log for errors that occurred when updating market prices. The TS researches the error and updates the system.	<p>Inspected the activity report and observed the TS research the market prices and update the system.</p> <p>Inspected activity logs throughout the year and inspected documentation to support the correction of errors in a timely manner.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p>
8.4	See 1.6 and 1.7 under Control Objective 1.		

***CONTROL OBJECTIVE 9: CONTROLS PROVIDE REASONABLE ASSURANCE THAT INVESTMENT ASSETS EXIST AND ARE SAFEGUARDED FROM LOSS OR MISAPPROPRIATION.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
9.1	See 1.6 and 1.7 under Control Objective 1.		

***CONTROL OBJECTIVE 10: CONTROLS POLICIES AND PROCEDURES PROVIDE REASONABLE ASSURANCE THAT MASTER FILES USED IN RECORDKEEPING AND ADMINISTERING DV PLANS ARE CURRENT AND ACCURATE.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
10.1	The TS utilizes the workflow task management system and signs off on steps as they are completed	<p>Through corroborative inquiry of TS, ascertained tasks are marked as complete within the workflow system, when the task is complete.</p> <p>Through corroborative inquiry of Management, ascertained the controls in place to prevent tasks from being skipped during the processing of information and transactions.</p> <p>Observed a sample of task management reports for completion.</p>	<p>No exceptions were noted.</p> <p>No exceptions were noted.</p> <p>No exceptions were noted.</p>

***CONTROL OBJECTIVE 11: CONTROLS PROVIDE REASONABLE ASSURANCE THAT APB COMPLIES WITH THE APPLICABLE REQUIREMENTS OF ER/SA.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
11.1	The PA's and RA's utilize the workflow task management system to manage projects by plan, which lists various tests to perform, filing requirements, and other items to be completed.	For a sample of APB Plans and Consultant Plans, inspected completed project reports from the workflow system verifying dates tasks were completed and sign off of the person responsible for completing the task.	No exceptions were noted.
11.2	See 2.4 under Control Objective 2.		

***CONTROL OBJECTIVE 12: CONTROLS PROVIDE REASONABLE ASSURANCE THAT PLANS ARE CHARGED THE APPROPRIATE FEES.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
12.1	Fees are charged in accordance with the fee agreement signed by APB and the PS.	Selected a sample of plans and monthly fees and inspected the fee agreement to verify the annual fee utilized in the fee calculation.	No exceptions were noted.
12.2	The TS calculates the fee monthly. The fee is based on the signed fee agreement, and the month end mutual fund balances.	Agreed the spreadsheet to the month-end mutual fund balance.	No exceptions were noted.
12.3	The Director of Accounting reviews the fee calculations for reasonableness. For new plans, the initial fee calculation is agreed to the fee agreement.	Through corroborative inquiry verified that the Director of Accounting reviews the fee calculations.	No exceptions were noted.
12.4	See 1.6 and 1.7 under Control Objective.		

***CONTROL OBJECTIVE 13: CONTROLS PROVIDE REASONABLE ASSURANCE THAT PARTICIPANT STATEMENTS AND PLAN SPONSOR ADMINISTRATION REPORTS ARE ACCURATE, COMPLETE, AND PROVIDED ON A TIMELY BASIS.***

<b>Ref</b>	<b>Controls Specified by American Pension Benefits</b>	<b>Testing Performed by Lally &amp; Co., LLC</b>	<b>Results of Tests</b>
13.1	Quarterly participant statements and plan sponsor reports are produced and delivered by a secure FTP site within 15 business days after quarter end.	Selected a sample of plans and inspected reports to determine whether statements were produced timely.	No exceptions were noted.
13.2	Each plan is put through a series of statement processing edit checks designed to confirm accuracy prior to reduction	Inspected reports showing statement edit checks	No exceptions were noted.
13.3	The PA's and RA's utilize the workflow task management system to manage projects by plan, which lists various tasks to perform when producing plan reports	For a sample of Plans, inspected completed project reports from the workflow system verifying dates tasks were completed and sign off of the person responsible for completing the task.	No exceptions were noted.
13.4	See 1.6 and 1.7 under Control Objective 1.		