



Fundadministration

FUNDADMINISTRATION, INC.

FUND ADMINISTRATION SERVICES

INDEPENDENT SERVICE AUDITOR'S REPORT ON A DESCRIPTION OF A SERVICE
ORGANIZATION'S SYSTEM AND THE SUITABILITY OF THE DESIGN AND
OPERATING EFFECTIVENESS OF CONTROLS

APRIL 1, 2012, TO MARCH 31, 2013

Attestation and Compliance Services



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SECTION I

INDEPENDENT SERVICE AUDITOR'S REPORT

INDEPENDENT SERVICE AUDITOR'S REPORT

To FundAdministration, Inc.:

We have examined FundAdministration, Inc.'s ("FundAdministration" or the "service organization") description of its Fund Administration Services system for processing user entities' transactions at the Ronkonkoma, New York, and Tarrytown, New York, facilities throughout the period April 1, 2012, to March 31, 2013, (the "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 FundAdministration'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 or operating effectiveness of such complementary user entity controls.

FundAdministration uses AlphaMetrix360, LLC ("AlphaMetrix") for all of FundAdministration's Virtual Back Office System ASP Services. The description in Section 3 includes only the control objectives and related controls of FundAdministration and excludes the control objectives and related controls of AlphaMetrix. Our examination did not extend to controls at AlphaMetrix.

In Section 2, FundAdministration has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. FundAdministration 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.

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 related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance 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 April 1, 2012, to March 31, 2013.

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 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 and described in Section 2. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. 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.

In our opinion, in all material respects, based on the criteria described in FundAdministration's assertion in Section 2,

- a. the description fairly presents the Fund Administration Services system that was designed and implemented throughout the period April 1, 2012, to March 31, 2013;
- 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 April 1, 2012, to March 31, 2013, and user entities applied the complementary user entity controls contemplated in the design of FundAdministration's controls throughout the period April 1, 2012, to March 31, 2013; and
- c. the controls 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 April 1, 2012, to March 31, 2013.

The specific controls tested and the nature, timing, and results of those tests are listed in Section 4 (the "Testing Matrices").

This report, including the description of the tests of controls and results thereof in the Testing Matrices, is intended solely for the information and use of FundAdministration, user entities of FundAdministration's Fund Administration Services system during some or all of the period April 1, 2012, to March 31, 2013, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when 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 these specified parties.

BRIGHTLINE CPAs & ASSOCIATES, INC.

Tampa, Florida
April 8, 2013

SECTION 2

MANAGEMENT'S ASSERTION

MANAGEMENT'S ASSERTION

We have prepared the description of FundAdministration, Inc.'s ("FundAdministration") Fund Administration Services system (the "description") for user entities of the system during some or all of the period April 1, 2012, to March 31, 2013, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

We confirm, to the best of our knowledge and belief, that

- a. the description fairly presents the Fund Administration Services system made available to user entities of the system during some or all of the period April 1, 2012, to March 31, 2013, for processing their transactions. FundAdministration uses AlphaMetrix360, LLC ("AlphaMetrix") for all/aspects of FundAdministration's Virtual Back Office System ASP Services. The description in Section 3 of this report includes only the controls and related control objectives of FundAdministration and excludes the control objectives and related controls of AlphaMetrix. The criteria we used in making our assertion were that the description
 - i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, as applicable:
 - (1) the types of services provided including, as appropriate, the classes of transactions processed;
 - (2) the procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are recorded, processed, corrected as necessary, and transferred to reports and other information presented to user entities of the system;
 - (3) the related accounting records, supporting information, and specific accounts that are used to record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities of the system;
 - (4) how the system captures and addresses significant events and conditions, other than transactions;
 - (5) the process used to prepare reports or other information provided for entities of the system;
 - (6) specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of our controls; and
 - (7) 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.
 - ii. does not omit or distort information relevant to the scope of the Fund Administration Services system, while acknowledging that the description is presented to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the Fund Administration Services system that each individual user entity of the system and its user auditor may consider important in its own particular environment.
 - iii. The description includes relevant details of changes to the Fund Administration Services system during the period April 1, 2012, to March 31, 2013.
- b. The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period April 1, 2012, to March 31, 2013, to achieve those control

objectives and AlphaMetrix applied the controls contemplated in the design of FundAdministration's controls. The criteria we used in making this assertion were that

- i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management;
- ii. the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
- iii. the controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.

SECTION 3

DESCRIPTION OF THE SYSTEM

OVERVIEW OF OPERATIONS

Company Background

Founded in 1999, FundAdministration, a privately held company owned by two individual shareholders, provides specialized accounting, consulting, and administrative services for hedge funds, funds of funds, commodity trading advisors, commodity pool operators, and separately managed accounts. Clients range from emerging investment managers to large established hedge funds, fund of funds and financial institutions.

FundAdministration is committed to meeting the specific needs of each client in a timely manner by utilizing technology, industry relationships, and dedication to service. FundAdministration is able to service offshore clients domiciled in the Cayman Islands, British Virgin Islands and other jurisdictions where specific licensing is not required.

Description of Services Provided

FundAdministration account executives utilize the AlphaMetrix virtual back office (VBO) accounting application to record and process client transactions and perform related accounting and reporting services. The VBO application supports a broad range of investment types, including: equities, fixed income, futures, options, swaps, bank debt, repurchase agreements, and foreign exchange.

In addition to accounting services, FundAdministration offers partnership and shareholder services, including:

- Processing, recording, and confirming contributions/subscriptions
- Processing, calculating, and recording distributions/withdrawals and associated penalties or gates
- Allocation of profit and loss (P&L) and special income/loss on side pockets
- Summary and detailed reporting with drill down capabilities
- Calculation of management and incentive fees/performance allocations

Non-Transaction Processes

Client Acceptance

FundAdministration requires potential fund managers to complete a client application as a component of the new client setup process after the potential fund manager agrees to the proposed terms of service. The completed application serves as authorization for FundAdministration to run the background check on the potential fund manager. Once the background check is complete, the chief executive officer (CEO) and director of business development document an administration agreement that defines the terms of service, which is signed by the CEO and fund manager. Once the contract is finalized, an account executive creates a database for a new fund within the VBO application based on information received from the client which includes, but is not limited to, the fund name, fund type, and fee schedule.

Subscription and Redemption Management

For subscriptions, the new or existing investors complete the requisite subscription documentation and submit it via e-mail, mail, or fax either the fund manager or FundAdministration prior to acceptance. FundAdministration requires the approval of the fund manager prior to processing the subscription request. If the fee structure for the investor subscription is different than the fee structure noted in the fund's offering memorandum, FundAdministration requires a separate agreement letter to be submitted with the investor subscription documentation and signed by the fund manager. Once accepted, FundAdministration provides investors with an investor subscription confirmation letter after confirming that the investor subscription has been received into the fund's bank account.

For redemptions, the investor submits a redemption request form to initiate the process. Once the redemption request is approved by the fund manager, an account executive creates a capital account activity report to verify

that the fund's capital account has sufficient funding available to process the redemption request. Once the capital funds are verified, the redemption is processed and notification is sent to the investor.

Transaction Initiation and Authorization

FundAdministration does not initiate or authorize client transactions related to trading. All transactions involving trading of equity, fixed income, futures, options, swaps, bank debt, repurchase agreements and/or foreign exchange are initiated and authorized by the client. In addition, cash transactions such as expense payments, account transfers, redemptions, and other wire transfers are initiated and authorized by the client or investor.

Transaction Recording and Processing

Transaction Processing

Account executives record transactions related to client trades in the VBO application via a combination of manual and automated uploading of data from client specified sources on a frequency defined by the client (i.e. daily or monthly). Data is pulled from file transfer protocol sites, client-provided files or bank/broker website sources. Upon retrieval, the data file is processed via an automated program and converted to a VBO template which is then uploaded into VBO's transaction entry module. Upon receipt of a successful upload notice, account executives review and reconcile the account values in the accounting application to the account value obtained from the authorized broker. A separate account executive performs a review of the reconciliation to help ensure that requisite items have been properly identified and reconciled.

Valuation

Account executives update position valuations by uploading security prices from the authorized broker or independent source as per the client's directives to the accounting application on a frequency defined by the client. The data file containing the relevant security prices is converted to a VBO template and uploaded into VBO's security pricing module. The accounting application is configured to display a success or failure notice after account executives upload the security prices into the accounting application, and failure messages are researched and resolved. An account executive performs a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker, and a separate account executive performs a review of the reconciliation to help ensure that requisite items have been properly identified and reconciled.

P&L Allocations and Fee Calculations

The accounting application is configured to calculate performance fees based on the fund's legal document. At the end of each month, the primary account executive for each fund performs a reconciliation of cash totals and positions in the VBO accounting application to the totals on the fund's bank and brokerage statements to help ensure that cash flows and positions are recorded accurately and completely. The cash flows/cash balances are used to derive the trial balances for fee calculations, and the reconciliation is used to compute realized P&L, unrealized P&L, interest/rebate income, and brokerage expenses to be entered into the fund ledger. A secondary account executive performs a review of the cash totals and positions, as well as the performance fee calculations, to help ensure that the reconciliations were performed accurately and completely.

Cash Management

FundAdministration performs various cash management functions for certain clients such as expense payments, account transfers, and investor redemptions via wire transactions to the appropriate vendor or investor. These cash transactions are initiated and authorized by the client prior to FundAdministration executing wire transfers. Account executives obtain the expense payment or redemption approval and vendor or investor wire transfer instructions from an authorized client representative prior to processing expense payment, account transfer, or investor redemption requests. An account executive performs a review of the support information and the payment instructions, and a separate account executive or manager performs a secondary review prior to executing the cash transaction.

Financial Statement and Investor Statement Reporting

An account executive utilizes the accounting application to generate financial statements at month end for the fund manager and investor statements on a client specified frequency for the fund investors. The account executive performs a review of the financial and investor statements prior to distributing to the fund's manager and/or investors. A secondary account executive performs an independent review of the financial and investor

statements prior to distribution to the funds investors to help ensure that statements have been prepared accurately and completely.

Error Handling

Procedural monitoring processes are a component of the day-to-day ongoing operations and include various reconciliations which catch errors which occur as the result of the transaction processing, valuation, and other transaction-related processes. Errors or incorrect information discovered are researched internally and managed according to processes which may include notification to a client to make a correction or an internal correction within FundAdministration. The process to correct incorrect information recorded in the VBO application includes researching and identifying the source of the error. Once discovered, account executives may perform the automated upload process again to correct the data or manually correct the error in the VBO application.

Functional Areas of Operations

The company utilizes the specific functional areas of operations within the Fund Administration Services system including:

- Executive management – responsible for overseeing company-wide activities, establishing and accomplishing goals, and overseeing objectives
- Operations management – responsible for managing the daily operation of the Fund Administration Services system
- Accounting executives – responsible for all aspects of the transaction processing services including the processing of transactions, reconciliations with the client and third party bank or broker, and the reporting and distribution of data to the client
- Information technology (IT) personnel – manages, monitors and supports systems supporting the Fund Administration Services system from unauthorized access and use while maintaining integrity and availability; responsible for maintenance of systems and hardware

Scope Definition

The scope of this assessment was limited to the Fund Administration Services performed at the Ronkonkoma, New York, and Tarrytown, New York, facilities. The specific control objectives can be found in section 4 of this document (the “Testing Matrices”) along with the control activities and tests of operating effectiveness. The scope of this report does not include the FundAdministration client web portal.

Subservice Organizations

No subservice organizations were included in the scope of this assessment including the AlphaMetrix VBO System ASP Services. Refer to the Information Systems Section for further detail related to AlphaMetrix’s services.

Significant Changes During the Review Period

No significant changes to the Fund Administration Services system occurred during the review period.

CONTROL ENVIRONMENT

The control environment at FundAdministration is the foundation for the other areas of internal control. It sets the tone of the organization and influences the control consciousness of its personnel. The components of the control environment factors include the integrity and ethical values, management’s commitment to competence; its organizational structure; the assignment of authority and responsibility; and the oversight and direction provided by the board of directors and management.

Integrity and Ethical Values

The effectiveness of controls cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. Integrity and ethical values are essential elements of the control environment, affecting the design, administration, and monitoring of other components. Integrity and ethical behavior are the product of FundAdministration's ethical and behavioral standards, how they are communicated, and how they are reinforced in practices. They include management's actions to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. They also include the communication of FundAdministration values and behavioral standards to personnel through policy statements and codes of conduct, as well as by example.

Specific control activities that FundAdministration has implemented in this area are described below:

- Documented organizational and employee policies are in place that communicate entity values and behavioral standards to personnel.
- Employees are required to sign a written acknowledgement form indicating that they have been given access to the employee manual and understand their responsibility for adhering to the policies and procedures contained within the manual.
- Employees are required to sign a confidentiality agreement agreeing not to disclose proprietary or confidential information, including client information, to unauthorized parties.
- A background check is performed for employees as a component of the hiring process.
- Any employee of FundAdministration that has access to daily client trading and trades for their own personal accounts must notify management of the existence of these trading accounts and is subject to review in order to ascertain that the employee is not breaking any fiduciary responsibility or attempting to replicate confidential client trading strategies.

Commitment to Competence

FundAdministration's management defines competence as the knowledge and skills necessary to accomplish tasks that define the individual's job. Commitment to competence includes management's consideration of the competence levels for particular jobs and how those levels translate into requisite skills and knowledge. FundAdministration has focused on hiring experienced professionals for the various positions required for the business.

Specific control activities that FundAdministration has implemented in this area are described below:

- Management considers the competence levels for particular jobs and translates required skills and knowledge levels into written position requirements.
- Training is provided to new employees as a component of the on boarding process.

Shareholder Participation

FundAdministration's control consciousness is influenced significantly by the participation of shareholders. Attributes include the shareholders' independence from management, the experience and stature of the shareholders, the extent of their involvement and scrutiny of activities, the appropriateness of their actions, and the degree to which difficult questions are raised and pursued with management. The specific control activity that FundAdministration has implemented in this area is that shareholders oversee management activities and meet on an as needed basis to discuss matters pertinent to the organization's operations and to review financial results.

Management's Philosophy and Operating Style

FundAdministration's management philosophy and operating style encompasses a broad range of characteristics. Such characteristics include management's approach to taking and monitoring business risks, and management's attitudes toward information processing, accounting functions and personnel.

- Management is periodically briefed on regulatory and industry changes affecting services provided.
- Management meetings are held on a monthly basis to discuss operational issues.

Organizational Structure and Assignment of Authority and Responsibility

FundAdministration's organizational structure provides the framework within which its activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. FundAdministration's management believes that establishing a relevant organizational structure includes considering key areas of authority and responsibility. FundAdministration has developed an organizational structure suited to its needs. This organizational structure is based, in part, on its size and the nature of its activities.

FundAdministration's assignment of authority and responsibility activities include factors such as how authority and responsibility for operating activities are assigned and how reporting relationships and authorization hierarchies are established. It also includes policies relating to business practices, knowledge and experience of key personnel, and resources provided for carrying out duties. In addition, it includes policies and communications directed at ensuring that personnel understand the entity's objectives, know how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable. The specific control activity that FundAdministration has implemented in this area is that management utilizes organizational charts to communicate key areas of authority, responsibility, and lines of reporting to personnel. These charts are communicated to employees and updated as needed.

Human Resource Policies and Practices

Human resources policies and practices relate to hiring, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions. For example, standards for hiring the most qualified individuals – with emphasis on educational background, prior work experience, past accomplishments, and evidence of integrity and ethical behavior – demonstrate FundAdministration's commitment to competent and trustworthy people. Training policies that communicate prospective roles and responsibilities and include practices such as training schools and seminars illustrate expected levels of performance and behavior. Promotions driven by periodic performance appraisals demonstrate FundAdministration's commitment to the advancement of qualified personnel to higher levels of responsibility. Specific control activities that FundAdministration has implemented in this area are described below.

- Documented employee hiring procedures are in place to govern the hiring process.
- Management has established pre-hire screening procedures which are performed for new personnel. The procedures include, but are not limited to, the following:
 - I-9 employees eligibility verification
 - Background check
- Annual performance evaluations are completed for eligible employees and results are documented and maintained in the employee's personnel file.
- Documented employee termination procedures are in place to govern the termination process.

RISK ASSESSMENT

Management is responsible for identifying the risks that threaten achievement of the control objectives stated in the management's description of the service organization's systems. 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 risk that controls seek to mitigate, management thoughtfully identified control objectives when designing, implementing, and documenting their system.

Risk Identification

FundAdministration has placed into operation a risk assessment process to identify and manage risks that could affect the organization's ability to provide reliable billing services for user organizations. This process requires management to identify significant risks in their areas of responsibility and to implement appropriate measures to address those risks. Management's involvement in daily operations enables them to learn about risks through direct personal involvement with employees, clients and outside parties, thus reducing the need for a formal risk assessment process. The risk assessment process is informal and undertaken on an as-needed basis by upper management. Management considers risks that can arise from both external and internal factors including:

External Factors

- Technological developments
- Changing customer needs or expectations
- Competition that could alter marketing or service activities
- New legislation and regulation that could force changes in policies and strategies
- Natural catastrophes that could lead to changes in operations or information systems
- Economic changes that could have an impact on management decisions
- New accounting pronouncements

Internal Factors

- Changes in operating environment
- New personnel
- New or revamped information systems
- Rapid growth
- New technology
- New business models, products or activities
- Expanded operations
- Inaccurate or incomplete transaction data

The FundAdministration risk assessment process focuses on supporting management decisions and responding to potential threats by assessing risks and identifying important decision factors. FundAdministration's management oversees risk management ownership, accountability, and is involved in risk identification process. Management identifies elements of business risk including threats, vulnerabilities, safeguards and the likelihood of a threat, to determine the actions to be taken.

Risks Analysis

Risk analysis is an essential process to the entity's success. It includes identification of key business processes where potential exposures of some consequence exist. Once the significance and likelihood of risk have been 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 of the risk occurring, and identification of the control activities necessary to mitigate the risk. Management has identified these control activities and documented them in the Control Objectives and Related Control Activities section below. Additionally, management reviews the assessed risk levels in management meetings held on an ad hoc basis in which risk topics are discussed.

CONTROL OBJECTIVES AND RELATED CONTROL ACTIVITIES

Integration with Risk Assessment

Along with assessing risks, management has identified and put into effect actions needed to address those risks. In order to address risks, control activities have been placed into operation to help ensure that the actions are carried out properly and efficiently. Control activities serve as mechanisms for managing the achievement of those objectives.

Selection and Development of Control Activities

Control activities are a part of the process by which FundAdministration strives to achieve its business objectives. FundAdministration has applied a risk management approach to the organization in order to select and develop control activities. After relevant risk have been identified and evaluated, controls are established, implemented, monitored, reviewed and improved when necessary to meet the overall objectives of the organization.

FundAdministration's control objectives and related control activities are included in Section 4 (the "Testing Matrices") of this report to eliminate the redundancy that would result from listing the items in this section and repeating them in the Testing Matrices. Although the control objectives and related control activities are included in the Testing Matrices, they are, nevertheless, an integral part of FundAdministration's description of the Fund Administration Services system.

The description of the service auditor's tests of operating effectiveness and the results of those tests are also presented in the Testing Matrices, adjacent to the service organization's description of control activities. The description of the tests of operating effectiveness and the results of those tests are the responsibility of the service auditor and should be considered information provided by the service auditor.

MONITORING

Monitoring Activities

Management monitors controls to consider whether they are operating as intended and that the controls are modified for changes in conditions. FundAdministration's management performs monitoring activities to continuously assess the quality of internal control over time. FundAdministration's management is responsible for directing and controlling operations and for establishing, communicating and monitoring control activities and procedures. FundAdministration's management places emphasis on maintaining sound internal controls, as well as ensuring integrity and ethical values to FundAdministration personnel. Senior management develops action

plans to address any internal control or quality assurance areas that need attention. Management reviews these action plans on a periodic basis.

Ongoing Monitoring

- In carrying out its regular management activities, operating management obtains evidence that the system of internal control continues to function.
- Communications from external parties and customers corroborate internally generated information or indicate problems.
- Organizational structure and supervisory activities provide oversight of control functions and identification of deficiencies.
- Training, planning sessions, and other meetings provide important feedback to management on whether controls are effective.
- Personnel are briefed on organizational policy statements and codes of conduct to communicate entity values.
- FundAdministration has established a variety of monitoring controls for quality assurance on a daily and monthly basis, primarily through the reconciliation process between VBO and bank/broker statements.
- FundAdministration's information security personnel review logs from the firewalls and intrusion prevention system (IPS) on an ad hoc basis to detect suspicious activity.
- Operational management personnel review the AlphaMetrix VBO SSAE 16 report on an annual basis.

Reporting Deficiencies

Deficiencies in an entity's internal control system surface from many sources, including the company's ongoing monitoring procedures, separate evaluations of the internal control system, and external parties. Management has developed protocols to help ensure findings of internal control deficiencies should be reported not only to the individual responsible for the function or activity involved, who is in the position to take corrective action, but also to at least one level of management above the directly responsible person. This process enables that individual to provide needed support or oversight for taking corrective action, and to communicate with others in the organization whose activities may be affected. Management evaluates the specific facts and circumstances related to deficiencies in internal control procedures and make the decision for addressing deficiencies based on whether the incident was isolated or requires a change in the company's procedures or personnel.

Incident response procedures include advising the director of technology and manager of operations of any occurrences that could potentially cause a disruption in services. The tracking and resolution of such incidents is handled immediately by the director of technology with escalation to senior management. Issues are generally resolved via telephone and e-mail communications and documented accordingly.

INFORMATION AND COMMUNICATION SYSTEMS

Information Systems

FundAdministration utilizes the VBO application, a portfolio accounting, general ledger, and partnership allocation system developed and licensed by AlphaMetrix which provides automated transaction processing with a fully integrated general ledger system. VBO also maintains investor records (investor contact details, transaction history), allocates P&L to investors, calculates management and incentive fees and produces investor statements that can be e-mailed directly from the application.

AlphaMetrix hosts the VBO accounting application and performs user administration. By way of hosting the VBO application, AlphaMetrix is responsible for physical and environmental controls over the applications supporting infrastructure and logical security controls such as authentication, administrative access, and logging/monitoring at the AlphaMetrix network, application/web/database server operating systems, database, and application level.

FundAdministration employees do not have access to perform user administration, application layer passwords parameters are not configurable, and while the VBO application supports restricting access by fund or function, FundAdministration employees have the same level of access within the application. Additionally, clients do not have access to the VBO application. VBO application access requests and revocation requests are e-mailed to an AlphaMetrix representative for processing.

Information Security

FundAdministration maintains information security policies and procedures documentation which includes, but is not limited to, the following: acceptable usage, privacy of information, and acceptable e-mail usage. Management submits VBO application access requests to AlphaMetrix via e-mail, and notifies the AlphaMetrix to revoke VBO application access via e-mail upon employee termination. The processing and reporting file server operating systems have password controls including password maximum age and invalid password account lockout threshold.

Data Communications

FundAdministration maintains a firewall system to filter unauthorized inbound network traffic from the internet. An IPS is in place and configured to monitor the production network for attempted or actual network breaches. An encrypted virtual private network (VPN) is utilized for remote access to help ensure the privacy and integrity of the data passing over the public network. Administrator access within the firewall and VPN system is restricted to authorized personnel. Wireless access points to the production network are secured using the Wi-Fi Protected Access 2 (WPA2) security mode with advanced encryption standard (AES) encryption.

Communication Systems

FundAdministration utilizes both formal and informal methods for corporate-wide communication. Upper management is involved with day-to-day operations and is able to provide personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. This includes the extent to which personnel understand how their activities relate to the work of others and the means of reporting exceptions to a higher level within the company. FundAdministration maintains a corporate intranet site, which is accessible to FundAdministration employees for information regarding corporate activities.

Fund Administration has also implemented various methods of communication to help provide assurance that customers understand the roles and responsibilities in initiating and authorizing their transactions and communication of significant events. These methods include meetings with representatives from all customers on an as needed basis and the use of e-mail messages and customer contact line to communicate time-sensitive information.

COMPLEMENTARY CONTROLS AT USER ENTITIES

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

The following complementary user entity controls should be implemented by user entities to provide additional assurance that the specified control objectives described within this report are met:

Information Security

1. User entities are responsible for determining whether FundAdministration's security infrastructure is appropriate for its needs and for notifying the service organization of any requested modifications.

Client Acceptance

2. User entities are responsible for ensuring the accuracy of initial financial documentation submitted to FundAdministration.

Subscription and Redemption Management

3. User entities are responsible for indicating whether subscription and redemption documentation should be submitted to the fund manager or FundAdministration.
4. User entities are responsible for providing approval for subscriptions and redemptions, if required, in a timely manner.
5. User entities are responsible for notifying FundAdministration of outstanding subscription and redemption requests in a timely manner.

Transaction Processing

6. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment transaction lists that are accurate and complete.
7. User entities are responsible for defining the frequency with which FundAdministration processes client investment transactions.

Cash Reconciliations

8. User entities are responsible for providing or defining where FundAdministration can retrieve timely cash balances that are accurate and complete.
9. User entities are responsible for defining the frequency with which FundAdministration reconciles cash balances.

Valuation

10. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment position values that are accurate and complete.
11. User entities are responsible for defining the frequency with which FundAdministration values client investment positions.

Profit (Loss) Allocations and Fee Calculations

12. User entities are responsible for notifying FundAdministration of any discrepancies identified in the P&L and performance fee calculations in a timely manner.

Financial Statement Reporting

13. User entities are responsible for providing approval of the monthly financial statements in a timely manner.
14. User entities are responsible for notifying FundAdministration of any discrepancies or errors in the financial statements in a timely manner.

Investor Statement Reporting

15. User entities are responsible for providing approval of the monthly financial statements in a timely manner.

Cash Management

16. User entities are responsible for providing timely review and approval of wire transactions.

SECTION 4

TESTING MATRICES

INFORMATION SECURITY

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition, or deletion.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
1.01	<p>Documented information security policies and procedures are in place to guide personnel in the following areas:</p> <ul style="list-style-type: none"> • Acceptable usage • Privacy of information • E-mail usage 	<p>Inspected the information security policies and procedures to determine that documented information security policies were in place to guide personnel in the following areas:</p> <ul style="list-style-type: none"> • Acceptable usage • Privacy of information • E-mail usage 	No exceptions noted.
1.02	<p>Management submits accounting application access and revocation requests to the third party provider via e-mail.</p>	<p>Inquired of the manager of operations regarding the access request process to determine that management submitted accounting application access and revocation requests to the third party provider via e-mail.</p>	<p>The test of the control activity disclosed that no employees were hired or terminated during the review period.</p>
Network Domain Authentication			
1.03	<p>Users are authenticated via a user account and password before being granted access to the network domain.</p>	<p>Inspected the network domain authentication configurations to determine that users were authenticated via a user account and password before being granted access to the network domain.</p>	No exceptions noted.
1.04	<p>The network domain is configured to enforce the following user account and password controls:</p> <ul style="list-style-type: none"> • Password minimum length • Invalid password account lockout threshold 	<p>Inspected the network domain authentication configurations to determine that the network domain was configured to enforce the following user account and password controls:</p> <ul style="list-style-type: none"> • Password minimum length • Invalid password account lockout threshold 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Network Domain Access			
1.05	Administrator access within the network domain is restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	Inquired of the manager of operations regarding network administration to determine that administrator access within the network domain was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	No exceptions noted.
		Inspected the administrator access listing to determine that administrator access within the network domain was restricted to a shared administrator account.	No exceptions noted.
Processing File Server Operating System Authentication			
1.06	Authentication to the operating system is granted based on the user's domain credentials. Authentication controls (e.g., password minimum lengths, expiration intervals, etc.) are governed by the primary domain controller's account policies.	Inspected the operating system authentication configurations to determine that the operating system was configured to inherit authentication parameters based on the user's domain credentials and that authentication controls were governed by the primary domain controller's account policies.	No exceptions noted.
Reporting File Server Operating System Authentication			
1.07	Users are authenticated via a user account and password before being granted access to the operating system.	Inspected the operating system authentication configurations to determine that users were authenticated via a user account and password before being granted access to the operating system.	No exceptions noted.
1.08	The operating system is configured to enforce the following user account and password controls: <ul style="list-style-type: none"> • Password maximum age • Invalid password account lockout threshold 	Inspected the operating system authentication configurations to determine that the operating system was configured to enforce the following user account and password controls: <ul style="list-style-type: none"> • Password maximum age • Invalid password account lockout threshold 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Processing and Reporting File Server Operating System Access			
1.09	Administrator access within the operating system is restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	Inquired of the manager of operations regarding operating system administration to determine that administrator access within the operating system was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	No exceptions noted.
		Inspected the administrator access listing to determine that administrator access within the operating system was restricted to a shared administrator account.	No exceptions noted.

DATA COMMUNICATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.01	A firewall system is in place to filter unauthorized inbound network traffic from the internet.	Inspected the firewall ruleset and network diagram to determine that a firewall system was in place to filter unauthorized inbound network traffic from the internet.	No exceptions noted.
2.02	The firewall system is configured to deny any type of network connection that is not explicitly authorized by a firewall rule.	Inspected the firewall ruleset to determine that the firewall system was configured to deny any type of network connection that was not explicitly authorized by a firewall rule.	No exceptions noted.
2.03	Externally routable internet protocol (IP) addresses are not assigned to internal production servers. Network address translation (NAT) functionality of the firewall system is configured to manage internal IP addresses.	Inspected the NAT configurations to determine that externally routable IP address were not used within the internal network and that NAT functionality of the firewall system was used to manage internal IP addresses.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.04	Administrator access within the firewall system is restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	Inquired of the director of technology regarding firewall administration to determine that administrator access within the firewall system was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> • Director of technology • Manager of operations 	No exceptions noted.
		Inspected the firewall authentication configuration to determine that administrator access within the firewall system was restricted to a shared administrator account.	No exceptions noted.
2.05	Firewall administrators are authenticated via an authorized user account and password before being granted access to perform firewall administration tasks.	Inspected the firewall authentication configurations to determine that firewall administrators were authenticated via a user account and password before being granted access to perform firewall administration tasks.	No exceptions noted.
2.06	The firewall system is configured to log certain events. IT personnel review the firewall log on an ad hoc basis.	Inquired of the director of technology regarding firewall logging to determine that IT personnel reviewed the firewall log on an ad hoc basis during the review period.	No exceptions noted.
		Inspected the firewall logging configurations and an example firewall log generated during the review period to determine that the firewall system was configured to log certain events.	No exceptions noted.
2.07	The director of technology changes the firewall system administrator account password on a monthly basis.	Inspected evidence of the firewall system administrator password change for a nonstatistical sample of months during the review period to determine that the director of technology changed the firewall system administrator account password for each month sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.08	The director of technology reviews the firewall ruleset on a monthly basis to help ensure that only the minimum required access privileges are enabled and that a business justification exists for each rule.	Inquired of the director of technology regarding the firewall ruleset review process to determine that the director of technology reviewed the firewall ruleset on a monthly basis to help ensure that only the minimum required access privileges were enabled and that a business justification existed for each rule.	No exceptions noted.
		Inspected the firewall ruleset reviews for a nonstatistical sample of months during the review period to determine that the director of technology performed a review of firewall ruleset for each month sampled.	No exceptions noted.
IPS			
2.09	An IPS is in place to analyze network device logs and report possible or actual network security breaches.	Inspected the IPS configurations to determine that an IPS was in place on the production network to analyze network device logs and report possible or actual network security breaches.	No exceptions noted.
2.10	The IPS is configured to log certain events. IT personnel review the IPS log on an ad hoc basis.	Inquired of the director of technology regarding IPS logging to determine that IT personnel reviewed the IPS log on an ad hoc basis during the review period.	No exceptions noted.
		Inspected the IPS logging configurations and an example IPS log generated during the review period to determine that the IPS was configured to log certain events.	No exceptions noted.
Wireless and Remote Access			
2.11	Wireless access points to the production network are secured using the WPA2 security mode with AES encryption.	Inspected the wireless router configuration to determine that wireless access points to the production network were secured using the WPA2 security mode with AES encryption.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.12	An encrypted VPN is utilized for remote access to help ensure the privacy and integrity of the data passing over the public network.	Inquired of the director of technology regarding remote access to determine that an encrypted VPN was utilized for remote access to help ensure the privacy and integrity of the data passing over the public network.	No exceptions noted.
		Inspected the VPN encryption configuration documentation to determine that an encrypted VPN was utilized for remote access.	No exceptions noted.
2.13	VPN users are authenticated via a user account and password before being granted VPN access to production systems.	Inspected the VPN authentication configuration documentation to determine that VPN users were authenticated via a user account and password before being granted VPN access to production systems.	No exceptions noted.
2.14	Administrator access within the VPN system is restricted to a user account accessible by the manager of operations.	Inspected the VPN administrator listing to determine that administrator access within the VPN system was restricted to a user account accessible by the manager of operations.	No exceptions noted.

CLIENT ACCEPTANCE

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that new clients and new funds are set up in the accounting application accurately and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.01	Fund managers complete a client application as a component of the new client setup process.	Inquired of an account executive regarding client applications to determine that fund managers completed a client application as a component of the new client setup process.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the client application for a nonstatistical sample of new clients during the review period to determine that fund managers completed a client application for each new client sampled.	No exceptions noted.
3.02	Fund managers submit to a background check as a component of the new client setup process.	Inquired of an account executive regarding background checks to determine that fund managers submitted to a background check as a component of the new client setup process.	No exceptions noted.
		Inspected the completed background check for a nonstatistical sample of new clients during the review period to determine that fund managers submitted background checks as a component of the new client setup process for each new client sampled.	No exceptions noted.
3.03	<p>The CEO and director of business development document an administration agreement that defines the terms of service as a component of the new client setup process. The administration agreement is required to be signed by the following parties:</p> <ul style="list-style-type: none"> • CEO • Fund manager 	Inquired of an account executive regarding a documented administration agreement to determine that the CEO and director of business development documented an administration agreement that defined the terms of service as a component of the new client setup process.	No exceptions noted.
		Inspected the signed administration agreement for a nonstatistical sample of new clients during the review period to determine that an administration agreement that defined the terms of service was completed and signed by the following parties for each new client sampled:	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.04	<p>An account executive creates a database for a new fund within the accounting application based on information received from the client that includes, but it not limited, to the following:</p> <ul style="list-style-type: none"> • Fund type • Fund name • Fee schedules 	<p>Inquired of an account executive regarding the fund track record to determine that an account executive created a database for the new fund within the accounting application based on information received from the client that included the following:</p> <ul style="list-style-type: none"> • Fund type • Fund name • Fee schedules 	No exceptions noted.
		<p>Inspected the fund legal documentation and system configurations for a nonstatistical sample of new clients during the review period to determine that the accounting application database was created based on the funds legal documentation for each new client sampled.</p>	No exceptions noted.

SUBSCRIPTION AND REDEMPTION MANAGEMENT

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that client subscription and redemption documentation is properly completed and approved prior to sending subscription and redemption confirmations.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
	Subscription Management		
4.01	<p>New or existing investors are required to complete the requisite subscription documentation and submit via e-mail, mail, or fax either the fund manager or FundAdministration prior to acceptance.</p>	<p>Inquired of an account executive regarding investor subscriptions to determine that new or existing investors were required to complete the requisite investor subscription documentation and submit via e-mail, mail, or fax to the fund manager or FundAdministration prior to acceptance.</p>	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the investor subscription document for a nonstatistical sample of investor subscriptions during the review period to determine that the requisite subscription documentation was completed and sent to the fund manager for each investor subscription sampled.	No exceptions noted.
4.02	Approval from the fund manager is required prior to processing a subscription request.	Inquired of an account executive regarding fund manager approval to determine that an approval from the fund manager was required prior to processing a subscription request.	No exceptions noted.
		Inspected the evidence of approval for a nonstatistical sample of investor subscriptions during the review period to determine that fund manager approval was obtained for each investor subscription sampled.	No exceptions noted.
4.03	An agreement letter is required to be submitted with the investor subscription documentation if the fee structure for the investor subscription is different than the fee structure noted in the fund's offering memorandum. The agreement letter is signed by the fund manager.	Inquired of an account executive regarding agreement letters to determine that an agreement letter was required to be submitted with the investor subscription documentation if the fee structure for the investor subscription was different than the fee structure noted in the fund's offering memorandum and that the agreement letter was signed by the fund manager.	No exceptions noted.
		Inspected the agreement letters for a nonstatistical sample of investor subscriptions during the review period to determine that an agreement letter was submitted with the investor subscription documentation and signed by the fund manager for each investor subscription sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.04	An account executive provides investors with an investor subscription confirmation letter after confirming that the investor subscription has been received into the fund's bank account.	Inquired of an account executive regarding investor subscription confirmation letters to determine that an account executive provided investors with an investor subscription confirmation letter after confirming that the investor subscription was received into the fund's bank account.	No exceptions noted.
		Inspected the investor subscription confirmation letters for a nonstatistical sample of investor subscriptions during the review period to determine that a confirmation letter was sent for each investor subscription sampled.	No exceptions noted.
Redemption Management			
4.05	Fund managers submit a redemption request prior to a redemption being processed.	Inquired of an account executive regarding redemption requests to determine that a fund manager submitted a redemption request prior to a redemption being processed.	No exceptions noted.
		Inspected the redemption requests for a nonstatistical sample of investor redemptions during the review period to determine that a redemption request was submitted for each investor redemption sampled.	No exceptions noted.
4.06	Approval from the fund manager is required prior to processing a redemption request.	Inquired of an account executive regarding fund manager approval to determine that approval from the fund manager was required prior to processing a redemption request.	No exceptions noted.
		Inspected the redemption approval for a nonstatistical sample of investor redemptions during the review period to determine that fund manager approval was obtained for each investor redemption sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.07	An account executive reviews the fund's bank account after processing a redemption to confirm that the redemption request is processed accurately and completely.	Inquired of an account executive regarding the fund's bank account to determine that an account executive reviewed the fund's bank account after processing a redemption to confirm that the redemption request was processed accurately and completely.	No exceptions noted.
		Inspected the bank statements for a nonstatistical sample of investor redemptions during the review period to determine that the redemption request was processed accurately and completely for each investor redemption sampled.	No exceptions noted.

TRANSACTION PROCESSING

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that investment transactions are recorded accurately, timely, and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
5.01	Documented transaction processing procedures are in place to guide account executives in processing investment transactions.	Inspected the transaction processing procedures documentation to determine that documented procedures were in place to guide account executives in processing investment transactions.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
5.02	Account executives utilize standardized transaction list templates to assist in the automation of the transaction upload process that include, but is not limited to, the following information: <ul style="list-style-type: none"> • Portfolio name • Transaction price and quantity • Transaction date • Transaction type 	Inquired of the director of operations regarding the transaction upload process to determine that account executives utilized standardized transaction list templates to assist in the automation of the transaction upload process.	No exceptions noted.
		Inspected the standardized transaction list templates for a nonstatistical sample of clients to determine that account executives utilized standardized transaction list templates for each client sampled that included the following information: <ul style="list-style-type: none"> • Portfolio name • Transaction price and quantity • Transaction date • Transaction type 	No exceptions noted.
5.03	Account executives upload transactions from the client or authorized broker to the accounting application on a frequency defined by the client.	Inquired of the director of operations regarding the transaction upload process to determine that account executives uploaded transactions from the client or authorized broker to the accounting application on a frequency defined by the client.	No exceptions noted.
		Inspected the accounting application transaction upload activity report for a nonstatistical sample of clients and dates during the review period to determine that account executives uploaded transactions from the client or authorized broker to the accounting application for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
5.04	The accounting application is configured to display a success or failure notice after account executives upload the investment transactions included in the transaction list into the accounting application. Account executives research and resolve failure messages.	Inquired of the director of operations regarding the transaction upload process to determine that the accounting application was configured to display a success or failure notice after account executives uploaded the investment transactions included in the transaction list into the accounting application and that account executives researched and resolved failure messages.	No exceptions noted.
		Inspected the success and failure notices resulting from example investment transaction upload attempts performed during the review period to determine that the accounting application was configured to display a success or failure notice after account executives uploaded the investment transactions included in the transaction list into the accounting application.	No exceptions noted.
5.05	Account executives perform a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a frequency defined by the client to help ensure that investment transactions are recorded accurately and completely.	Inquired of the director of operations regarding the account reconciliation process to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a frequency defined by the client to help ensure that investment transactions were recorded accurately and completely.	No exceptions noted.
		Inspected the evidence of reconciliation for a nonstatistical sample of clients and dates during the review period to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
5.06	A separate account executive performs a review of the reconciliation on a frequency defined by the client to help ensure that requisite items have been properly identified and reconciled.	Inquired of the director of operations regarding the account reconciliation process to determine that a separate account executive performed a review of the reconciliation on a frequency defined by the client to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected the evidence of reconciliation review for a nonstatistical sample of clients and dates during the review period to determine that a separate account executive performed a review of the reconciliation for each client and date sampled.	No exceptions noted.

CASH RECONCILIATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the cash transactions and balances relating to accounts with financial institutions are reconciled and reconciling items are identified and monitored.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
6.01	Documented cash reconciliation procedures are in place to guide account executives in performing cash reconciliations.	Inspected the cash reconciliation procedures documentation to determine that documented procedures were in place to guide account executives in performing cash reconciliations.	No exceptions noted.
6.02	Account executives perform a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements on a frequency defined by the client. Account executives research and resolve balances that do not reconcile.	Inquired of the director of operations regarding the cash reconciliation process to determine that account executives performed a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements on a frequency defined by the client and account executives researched and resolved balances that did not reconcile.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the evidence of reconciliation for a nonstatistical sample of clients and dates during the review period to determine that account executives performed a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements for each client and date sampled.	No exceptions noted.
6.03	A separate account executive performs a review of the reconciliation on a frequency defined by the client to help ensure that requisite items have been properly identified and reconciled.	Inquired of the director of operations regarding the cash reconciliation process to determine that a separate account executive performed a review of the reconciliation on a frequency defined by the client to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected the evidence of reconciliation review for a nonstatistical sample of clients and dates during the review period to determine that a separate account executive performed a review of the reconciliation for each client and date sampled.	No exceptions noted.

VALUATION

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the investment positions are properly valued using independent sources, where available.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.01	Documented valuation procedures are in place to guide account executives in valuing investment positions.	Inspected the valuation procedures documentation to determine that documented procedures were in place to guide account executives in valuing investment positions.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.02	<p>Account executives utilize standardized security pricing templates to assist in the automation of the security price upload process that include, but is not limited to, the following information:</p> <ul style="list-style-type: none"> • Investment identification number (ID) • Closing date • Closing price • Source 	<p>Inquired of the director of operations regarding the security price upload process to determine that account executives utilized standardized security pricing templates to assist in the automation of the security price upload process.</p>	<p>No exceptions noted.</p>
		<p>Inspected the standardized security pricing templates for a nonstatistical sample of clients to determine that account executives utilized standardized security pricing templates for each client sampled that included the following information:</p> <ul style="list-style-type: none"> • Investment ID • Closing date • Closing price • Source 	<p>No exceptions noted.</p>
7.03	<p>Account executives upload security prices from the authorized broker or independent source to the accounting application on a frequency defined by the client.</p>	<p>Inquired of the director of operations regarding the security price upload process to determine that account executives uploaded security prices from the authorized broker or independent source to the accounting application on a frequency defined by the client.</p>	<p>No exceptions noted.</p>
		<p>Inspected the accounting application security price files for a nonstatistical sample of clients and dates during the review period to determine that account executives uploaded security prices from the authorized broker or independent source to the accounting application for each client and date sampled.</p>	<p>No exceptions noted.</p>

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.04	The accounting application is configured to display a success or failure notice after account executives upload the security prices into the accounting application. Account executives research and resolve failure messages.	Inquired of the director of operations regarding the security price upload process to determine that the accounting application was configured to display a success or failure notice after account executives uploaded the security prices into the accounting application and that account executives researched and resolved failure messages.	No exceptions noted.
		Inspected the success and failure notices resulting from example security price upload attempts performed during the review period to determine that the accounting application was configured to display a success or failure notice after account executives uploaded the security prices into the accounting application.	No exceptions noted.
7.05	Account executives perform a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a frequency defined by the client to help ensure that investment positions are properly valued.	Inquired of the director of operations regarding the account reconciliation process to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a frequency defined by the client to help ensure that investment positions were properly valued.	No exceptions noted.
		Inspected the evidence of reconciliation for a nonstatistical sample of clients and dates during the review period to determine that account executives performed a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.06	A separate account executive performs a review of the reconciliation on a frequency defined by the client to help ensure that requisite items have been properly identified and reconciled.	Inquired of the director of operations regarding the account reconciliation process to determine that a separate account executive performed a review of the reconciliation on a frequency defined by the client to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
		Inspected the evidence of reconciliation review for a nonstatistical sample of clients and dates during the review period to determine that a separate account executive performed a review of the reconciliation for each client and date sampled.	No exceptions noted.

PROFIT (LOSS) ALLOCATIONS AND FEE CALCULATIONS

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the profit or loss is allocated accurately according to the fund's investors and that fees (administration, management, and incentive) are calculated accurately and completely).

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
8.01	An account executive performs a reconciliation of cash totals and positions in the accounting application to the fund's bank and brokerage statements on a monthly basis to help ensure that ending cash flows and positions are recorded and profit or loss is allocated accurately and completely.	Inquired of an account executive regarding cash reconciliations to determine that an account executive performed a reconciliation of cash totals in the accounting application to the fund's bank and brokerage statements on monthly basis to help ensure that cash flows, positions, and profit or loss were recorded accurately and completely.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the cash reconciliations for a nonstatistical sample of clients and months during the review period to determine that account executives performed a reconciliation of cash totals and positions for each client and month sampled.	No exceptions noted.
8.02	An account executive configures the accounting application to calculate performance fees based on the fund's legal document.	Inquired of an account executive regarding performance fees to determine that an account executive configured to accounting application to calculate performance fees based on the fund's legal document.	No exceptions noted.
		Inspected the accounting application configurations and legal documents for a nonstatistical sample of clients to determine that the accounting application was configured to calculate performance fees based on the fund's legal document for each client sampled.	No exceptions noted.
8.03	A secondary account executive performs a review of the cash totals and positions, as well as the performance fee calculations, on a monthly to help ensure that the reconciliations are performed accurately and completely.	Inquired of an account executive regarding secondary reviews to determine that a secondary account executive performed a review of the cash totals and positions, as well as the performance fee calculations, on a monthly basis to help ensure that the reconciliations were performed accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and months during the review period to determine that a secondary account executive performed a review of the cash totals, positions, and performance fee calculations for each client and month sampled.	No exceptions noted.

FINANCIAL STATEMENT REPORTING

Control Objective Specified Control activities provide reasonable assurance that financial statements are prepared accurately and delivered completely.
by the Service Organization:

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
9.01	An account executive utilizes the accounting application to generate financial statements for the fund manager on a monthly basis.	Inquired of the account executive regarding monthly financial statements to determine that an account executive utilized the accounting application to generate financial statements for fund managers on a monthly basis.	No exceptions noted.
		Inspected the financial statements for a nonstatistical sample of clients and months during the review period to determine that financial statements were generated for each client and month sampled.	No exceptions noted.
9.02	An account executive performs a review of the financial statements prior to sending to the fund manager to help ensure that statements have been prepared accurately and completely.	Inquired of the account executive regarding the financial statement review to determine that an account executive performed a review of the financial statements prior to sending to the fund manager to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and months during the review period to determine that an account executive performed a review of the financial statements for each client and month sampled.	No exceptions noted.
9.03	A secondary account executive performs an independent review of the financial statements prior to sending to the fund manager to help ensure that financial statements have been prepared accurately and completely.	Inquired of the account executive regarding a secondary review of the financial statements to determine that a secondary account executive performed an independent review of the financial statements prior to sending to the fund manager to help ensure that financial statements were prepared accurately and completely.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the review checklist for a nonstatistical sample clients and months during the review period to determine that a secondary account executive performed an independent review of the financial statements for each client and month sampled.	No exceptions noted.
9.04	An account executive requires written approval of the financial statements from the fund manager prior to finalizing the financial statements.	Inquired of the account executive regarding final written approval of the financial statements to determine that an account executive required written approval of financial statements from the fund manager prior to finalizing the financial statements.	No exceptions noted.
		Inspected the financial statement approvals for a nonstatistical sample of clients and months during the review period to determine that written approval of the financial statements from the fund manager was obtained prior to finalizing the financial statements for each client and month sampled.	No exceptions noted.

INVESTOR STATEMENT REPORTING

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that the fund investors' investor account statements are prepared accurately and completely.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
10.01	An account executive utilizes the accounting application to generate the investor statements for the fund investors on a client specified frequency.	Inquired of an account executive regarding investor statements to determine that an account executive utilized the accounting application to generate the investor statements for the fund investors on a client specified frequency.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected the fund legal document and investor statements for a nonstatistical sample of clients and dates during the review period to determine that an account executive produced the investor statements for the fund investors for each client and date sampled.	No exceptions noted.
10.02	An account executive performs a review of the investor statements prior to distributing to the funds investors to help ensure that the statements have been prepared accurately and completely.	Inquired of an account executive regarding the investor statement review to determine that an account executive performed a review of the investor statements prior to distributing to the funds investors to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklists for a nonstatistical sample of clients and dates during the review period to determine that an account executive performed a review of the investor statements for each client and date sampled.	No exceptions noted.
10.03	A secondary account executive performs an independent review of the investor statements prior to distribution to the funds investors to help ensure that statements have been prepared accurately and completely.	Inquired of an account executive regarding a secondary review of the financial statements to determine that a secondary account executive performed an independent review of the investor statements prior to distribution to the funds investors to help ensure that the statements were prepared accurately and completely.	No exceptions noted.
		Inspected the review checklist for a nonstatistical sample of clients and dates during the review period to determine that a secondary account executive performed an independent review of the investor statements for each client and date sampled.	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
10.04	An account executive requires documented approval of the investor statements from the fund manager prior to distributing to the funds investors.	Inquired of an account executive regarding approval of the investor statements to determine that an account executive required documented approval of the investor statements from the fund manager prior to distribution to the funds investors.	No exceptions noted.
		Inspected the investor statement approvals and distribution e-mails for a nonstatistical sample of clients and dates during the review period to determine that documented approval of the investor statements was obtained prior to distribution to the funds investors for each client and date sampled.	No exceptions noted.

CASH MANAGEMENT

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that cash distributions for expense payments, account transfers and investor redemptions are properly authorized, executed, and recorded.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
11.01	<p>Documented cash management policies and procedures are in place to guide personnel in the following areas:</p> <ul style="list-style-type: none"> • Expense payments • Account transfers • Investor redemptions • Wire transactions 	<p>Inspected the cash management policy and procedures documentation to determine that documented policies and procedures were in place to guide personnel in the following areas:</p> <ul style="list-style-type: none"> • Expense payments • Account transfers • Investor redemptions • Wire transactions 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Expense Payments			
11.02	Account executives obtain the following from an authorized client representative prior to processing an expense payment request: <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	Inquired of the director of cash management regarding the expense payment process to determine that account executives obtained the following from an authorized client representative prior to processing an expense payment request: <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	No exceptions noted.
		Inspected the expense payment approvals and vendor wire instructions for a nonstatistical sample of clients and expense payments executed during the review period to determine that account executives obtained the following from an authorized client representative for each client and expense payment sampled: <ul style="list-style-type: none"> • Expense payment approval • Vendor wire instructions 	No exceptions noted.
Account Transfers			
11.03	Account executives obtain the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	Inquired of the director of cash management regarding the account transfer process to determine that account executives obtained the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	No exceptions noted.
		Inspected the account transfer approvals and account wire instructions for a nonstatistical sample of clients and account transfers executed during the review period to determine that account executives obtained the following from an authorized client representative for each client and account transfer sampled: <ul style="list-style-type: none"> • Account transfer approval • Account wire instructions 	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
Investor Redemptions			
11.04	<p>Account executives obtain the following from an authorized client representative prior to processing an investor redemption request:</p> <ul style="list-style-type: none"> • Investor redemption request • Redemption approval • Investor wire instructions 	<p>Inquired of the director of cash management regarding the investor redemption process to determine that account executives obtained the following from an authorized client representative prior to processing an investor redemption request:</p> <ul style="list-style-type: none"> • Investor redemption request • Redemption approval • Investor wire instructions 	No exceptions noted.
		<p>Inspected the investor redemption requests, approvals, and investor wire instructions for a nonstatistical sample of clients and investor redemptions executed during the review period to determine that account executives obtained the following from an authorized client representative for each client and investor redemption sampled:</p> <ul style="list-style-type: none"> • Investor redemption request • Redemption approval • Investor wire instructions 	No exceptions noted.
Expense Payment, Account Transfer, and Investor Redemption Wire Transactions			
11.05	<p>An account executive performs a review of the support information and wire instructions to help ensure accuracy and completeness of the request.</p>	<p>Inquired of the director of cash management regarding the wire transaction process to determine that an account executive performed a review of the support information and wire instructions to help ensure accuracy and completeness of the request.</p>	No exceptions noted.
		<p>Inspected evidence of wire transfer review for a nonstatistical sample of clients and wire transactions executed during the review period to determine that an account executive performed a review of the support information and wire instructions for each client and wire transaction sampled.</p>	No exceptions noted.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
11.06	A separate account executive performs a secondary review of the support information and wire instructions prior to executing the wire transfer.	Inquired of the director of cash management regarding the wire transaction process to determine that a separate account executive performed a secondary review of the support information and wire instructions prior to executing the wire transfer.	No exceptions noted.
		Inspected evidence of secondary wire transfer review for a nonstatistical sample of clients and wire transactions executed during the review period to determine that a separate account executive performed a secondary review of the support information and wire instructions for each client and wire transaction sampled.	No exceptions noted.