



A-LIGN



FundAdministration, Inc.  
Type 2 SSAE 16  
2015



Fundadministration

**REPORT ON MANAGEMENT'S DESCRIPTION OF FUNDADMINISTRATION, INC.'S  
SYSTEM AND THE SUITABILITY OF THE DESIGN AND OPERATING  
EFFECTIVENESS OF CONTROLS**

**Pursuant to Statement on Standards for Attestation Engagements No. 16  
(SSAE 16) Type 2**

**January 1, 2015 Through December 31, 2015**

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**SECTION 1**  
**INDEPENDENT SERVICE AUDITOR'S REPORT**

**INDEPENDENT SERVICE AUDITOR'S REPORT  
ON A DESCRIPTION OF FUNDADMINISTRATION, INC.'S SYSTEM AND  
THE SUITABILITY OF THE DESIGN AND OPERATING EFFECTIVENESS OF CONTROLS**

To FundAdministration, Inc.:

We have examined FundAdministration, Inc.'s ('FundAdministration' or 'the Company') description of its Fund Administration Services System at its Ronkonkoma and Purchase, New York locations for processing user entities' transactions for the period January 1, 2015 through December 31, 2015, 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 and operating effectiveness of such complementary user entity controls.

FundAdministration uses Jordan Associates Integrated Systems, Inc. ("subservice organization") for various information technology services including firewall administration. FundAdministration uses Pacific Fund Services' ("subservice organization") PAXUS application for fund administration services. The description in Section 3 includes only the controls and related control objectives of FundAdministration and excludes the control objectives and related controls of the subservice organization. Our examination did not extend to controls of the subservice organization.

In Section 2 of this report, 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 for the period January 1, 2015 through December 31, 2015.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of 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 of this report,

- the description fairly presents the system that was designed and implemented for the period January 1, 2015 through December 31, 2015.
- 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 for the period January 1, 2015 through December 31, 2015 and user entities applied the complementary user entity controls contemplated in the design of FundAdministration's controls for the period January 1, 2015 through December 31, 2015.
- 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 for the period January 1, 2015 through December 31, 2015.

The specific controls tested and the nature, timing, and results of those tests are listed in Section 4.

This report, including the description of tests of controls and results thereof in Section 4, is intended solely for the information and use of FundAdministration, user entities of FundAdministration's system during some or all of the period January 1, 2015 through December 31, 2015, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about 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.

The logo for A-LIGN, featuring a large, stylized, handwritten-style letter 'A' followed by the word 'ALIGN' in a smaller, uppercase, sans-serif font.

February 1, 2016  
Tampa, Florida

**SECTION 2**  
**FUNDADMINISTRATION, INC.'S ASSERTION**

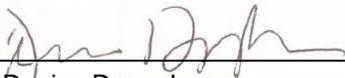
## FundAdministration, Inc.'s Assertion

February 1, 2016

We have prepared the description of FundAdministration, Inc.'s Fund Administration Services System for user entities of the system during some or all of the period January 1, 2015 through December 31, 2015, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the 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 January 1, 2015 through December 31, 2015 for processing their transactions. The criteria we used in making this 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:
    - (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 initiated, authorized, recorded, processed, corrected as necessary, and transferred to reports and other information prepared for user entities.
    - (3) The related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
    - (4) How the system captures significant events and conditions, other than transactions.
    - (5) The process used to prepare reports and other information for user entities.
    - (6) The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of the service organization's controls.
    - (7) Other aspects of our control environment, risk assessment process, information and communication systems (including 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 prepared to meet the common needs of broad range of user entities of the system and the independent auditors of those user entities, and may not, therefore, include every aspect of the Fund Administration Services System that each individual user entity of the system and its auditor may consider important in its own particular environment.

- b. The description includes relevant details of changes to the service organization's system during the period covered by the description when the description covers a period of time.
- c. The controls related to the control objectives stated in the description were suitably designed and operated effectively for the period January 1, 2015 through December 31, 2015 to achieve those control objectives. 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 the service organization;
  - 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, including whether manual controls were applied by individuals who have the appropriate competence and authority.



Denise Depaola  
Chief Executive Officer  
FundAdministration, Inc.

**SECTION 3**  
**DESCRIPTION OF THE SYSTEM PROVIDED**  
**BY THE SERVICE ORGANIZATION**

## OVERVIEW OF OPERATIONS

### Company Background

Founded in 1999, FundAdministration, Inc. is a privately held company that provides specialized accounting, consulting, and administrative services for domestic and offshore clients. FundAdministration clients represent a diverse mix of strategies and styles, which include hedge funds, fund of funds, private equity funds, real estate funds, fintech Funds, futures funds, commodity pool operators, family offices, trading advisors, managed accounts, brokerage firms and banks along with other types of private investments funds. FundAdministration attempts to meet the specific needs of each client by utilizing technology, industry relationships, and dedication to service. FundAdministration offers services to 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 PAXUS accounting application created by third-party, Pacific Funds Systems, to record and process client transactions and perform related accounting and reporting services. The PAXUS application is revolutionary in that it integrates all the processes that are normally performed on multiple systems. These include the securities portfolio, allocation system, general ledger, fee calculation, share registry module, investor communications and web portal. The PAXUS application supports a broad range of investment types, including: equities, bonds, fixed income, futures, options, swaps, private equity, convertible debentures, 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

### *Transaction Initiation & Authorization*

FundAdministration does not initiate or authorize client transactions related to trading. 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 prior to being processed.

### *Transactions Processing & Reporting*

FundAdministration records client-initiated transactions within the PAXUS application after receiving them in the form of either template files for high volume clients or through manual upload as performed by account executives. Valuation of the client transactions takes place daily in some cases and in all cases at month end and for any transactions with open positions; FundAdministration uses an external pricing source to value the given investment.

After transactions are processed within each client's respective financial institution, FundAdministration records processed cash distributions through the PAXUS application based on authorized client directives, for cash management clients. This includes, but is not limited to, account transfers, expense payments, and investor redemptions.

FundAdministration also records and processes subscription and redemption transactions based on client requests which are recorded through the PAXUS application.

## *Significant Events*

FundAdministration has implemented automated and manual procedures to capture and address significant event and conditions. In addition, detailed monitoring and risk assessment procedures are in place to provide management with detailed information that impacts the Fund Administration Services system. Please see the procedures, monitoring, and risk assessment procedures described in the relevant sections of this report for further details.

## *Functional Areas of Operation*

The FundAdministration staff provides support for the below services in each of the following functional areas:

- Executive management - provides general oversight and strategic planning of operations
- Development team - responsible for delivering a responsive system that fully complies with the functional specification
- Quality assurance team - verifies that the system complies with the functional specification through functional testing procedures
- System administrators - responsible for effective provisioning, installation/configuration, operation, and maintenance of systems hardware and software relevant to the system
- Customer Support - serves customers by providing product and service information that includes resolving product and service issues
- Audit and Compliance - performs regularly scheduled audits relative to defined standards, provides continuous improvement feedback, and assesses legal and regulatory requirements

## **Boundaries of the System**

The scope of this report includes the FundAdministration Services system performed in the Ronkonkoma, New York and Purchase, New York facilities.

## **Subservice Organizations**

Jordan Associates Integrated Systems, Inc. - This report does not include the Information Technologies Services provided by Jordan Associates Integrated Systems, Inc. at the Ronkonkoma, New York and Purchase, New York facilities.

Pacific Funds Systems - PAXUS ('PFS-PAXUS') - This report does not include the investment fund accounting and fund administration software provided by Pacific Funds Systems at the Ronkonkoma, New York and Purchase, New York facilities.

## **Significant Changes in the Last 12 Months**

No significant changes have occurred to the services provided to user entities in the 12 months preceding the end of the review period.

## **CONTROL ENVIRONMENT**

### **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 FundAdministration's 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 entity values and behavioral standards to personnel through policy statements and codes of conduct, as well as by example.

Specific control activities that the service organization has implemented in this area are described below:

- Formally, documented organizational policy statements and codes of conduct communicate entity values and behavioral standards to personnel
- Policies and procedures require employees sign an acknowledgment form indicating they have been given access to the employee manual and understand their responsibility for adhering to the policies and procedures contained within the manual
- A confidentiality statement agreeing not to disclose proprietary or confidential information, including client information, to unauthorized parties is a component of the employee handbook
- Background checks are performed for employees as a component of the hiring process

### **Commitment to Competence**

FundAdministration's management defines competence as the knowledge and skills necessary to accomplish tasks that define employees' roles and responsibilities. Management's commitment to competence includes management's consideration of the competence levels for particular jobs and how those levels translate into the requisite skills and knowledge.

Specific control activities that the service organization has implemented in this area are described below:

- Management has considered the competence levels for particular jobs and translated required skills and knowledge levels into written position requirements
- Training is provided to maintain the skill level of personnel in certain positions

### **Management's Philosophy and Operating Style**

FundAdministration's management philosophy and operating style encompass 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.

Specific control activities that the service organization has implemented in this area are described below:

- Management is periodically briefed on regulatory and industry changes affecting the services provided
- Executive management meetings are held to discuss major initiatives and issues that affect the business as a whole

### **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. Management believes establishing a relevant organizational structure includes considering key areas of authority and responsibility. An organizational structure has been developed to suit 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 appropriate 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 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. Organizational charts are in place to communicate key areas of authority and responsibility. These charts are communicated to employees and updated as needed.

## **Human Resources Policies and Practices**

FundAdministration's success is founded on sound business ethics, reinforced with a high level of efficiency, integrity, and ethical standards. The result of this success is evidenced by its proven track record for hiring and retaining top quality personnel who ensures the service organization is operating at maximum efficiency. FundAdministration's human resources policies and practices relate to employee hiring, orientation, training, evaluation, counseling, promotion, compensation, and disciplinary activities.

Specific control activities that the service organization has implemented in this area are described below:

- Evaluations for each employee are performed on an annual basis
- Employee termination procedures are in place to guide the termination process and are documented in a termination checklist

## **RISK ASSESSMENT**

FundAdministration's risk assessment process identifies and manages risks that could potentially affect FundAdministration's ability to provide reliable services to user organizations. This ongoing process requires that management identify significant risks inherent in products or services as they oversee their areas of responsibility. FundAdministration identifies the underlying sources of risk, measures the impact to organization, establishes acceptable risk tolerance levels, and implements appropriate measures to monitor and manage the risks.

This process has identified risks resulting from the nature of the services provided by FundAdministration, and management has implemented various measures designed to manage these risks. Risks identified in this process include the following:

- Operational risk - changes in the environment, staff, or management personnel
- Strategic risk - new technologies, changing business models, and shifts within the industry
- Compliance - legal and regulatory changes

FundAdministration has established an on-going risk assessment approach to identify risks to the entity and monitor the operation of the firm's internal controls. The approach is intended to align the entity's strategy more closely with its key stakeholders, assist the organizational units with managing uncertainty more effectively, minimize threats to the business, and maximize its opportunities in the rapidly changing market environment. FundAdministration attempts to actively identify and mitigate significant risks through the implementation of various initiatives and continuous communication with other leadership committees and senior management.

## **CONTROL OBJECTIVE AND RELATED CONTROL ACTIVITIES**

### **Integration with Risk Assessment**

Along with assessing risks, FundAdministration 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 Specified by the Service Organization**

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 data center 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**

Management monitors controls to ensure that they are operating as intended and that controls are modified as conditions change. FundAdministration's management performs monitoring activities to continuously assess the quality of internal control over time. Necessary corrective actions are taken as required to correct deviations from company policies and procedures. Employee activity and adherence to company policies and procedures is also monitored. This process is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

### **On-Going Monitoring**

FundAdministration's management conducts quality assurance monitoring on a regular basis and additional training is provided based upon results of monitoring procedures. Monitoring activities are used to initiate corrective action through department meetings, internal conference calls, and informal notifications.

Management's close involvement in FundAdministration's operations helps to identify significant variances from expectations regarding internal controls. Upper management evaluates the facts and circumstances related to any suspected control breakdown. A decision for addressing any control's weakness is made based on whether the incident was isolated or requires a change in the company's procedures or personnel. The goal of this process is to ensure legal compliance and to maximize the performance of FundAdministration's personnel.

### **Reporting Deficiencies**

Professional Resolution and Escalation Protocol has been maintained when responding and notifying management of any identified risks. Risks considered critical are responded to immediately. On-going meetings are held by management to review reported deficiencies and corrective actions.

## **INFORMATION AND COMMUNICATION SYSTEMS**

### **Information Systems**

FundAdministration has implemented mechanisms to track and record operational data to make strategic decisions and ensure objectives are consistently achieved. Information gathered from systems enable FundAdministration to understand business trends in order to maximize efforts and provide optimal services.

## Infrastructure

Primary infrastructure used to provide FundAdministration's Fund Administration Services system includes the following:

Primary Infrastructure		
Hardware	Type	Purpose
Firewalls	Dell SonicWall	Filter network traffic
Server	PFS - PAXUS Server	Support the PFS - PAXUS application

## Software

Primary software used to provide FundAdministration's Fund Administration Services system includes the following:

Primary Software	
Software	Purpose
Pacific Funds System - Paxus (PFS-PAXUS)	Third-party software used to process client-specified transactions, generate client reports, translate electronic files received from clients and upload transactions for recordkeeping purposes, and reconcile client accounting records to reports.

## Communication Systems

Communication is an integral component of FundAdministration's internal control system. It is the process of identifying, capturing, and exchanging information in time frame necessary to conduct, manage, and control the entity's operations. This process encompasses the primary classes of transactions of the organization, including the dependence on, and complexity of, information technology.

At FundAdministration, information is identified, captured, processed, and reported by various information systems, as well as through conversations with clients, vendors, regulators, and employees.

## COMPLEMENTARY USER ENTITY CONTROLS

FundAdministration's services are 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 controls related to FundAdministration's services to be solely achieved by FundAdministration control procedures. Accordingly, user entities, in conjunction with the services, should establish their own internal controls or procedures to complement those of FundAdministration's.

The following complementary user entity controls should be implemented by user entities to provide additional assurance that the control objectives described within this report are met. As these items represent only a part of the control considerations that might be pertinent at the user entities' locations, user entities' auditors should exercise judgment in selecting and reviewing these complementary user entity controls.

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.
2. User entities are responsible for ensuring the accuracy of initial financial documentation submitted to FundAdministration.
3. User entities are responsible for approving new fund structure prior to being setup in the accounting application.
4. User entities are responsible for indicating whether subscription and redemption documentation should be submitted to the fund manager or FundAdministration.
5. User entities are responsible for providing approval for subscriptions and redemptions, if required, in a timely manner.
6. User entities are responsible for notifying FundAdministration of outstanding subscription and redemption requests in a timely manner.
7. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment transaction lists that are accurate and complete.
8. User entities are responsible for defining the frequency with which FundAdministration processes client investment transactions.
9. User entities are responsible for providing or defining where FundAdministration can retrieve timely cash balances that are accurate and complete.
10. User entities are responsible for defining the frequency with which FundAdministration reconciles cash balances.
11. User entities are responsible for providing or defining where FundAdministration can retrieve timely investment position values that are accurate and complete.
12. User entities are responsible for defining the frequency with which FundAdministration values client portfolios.
13. User entities are responsible for notifying FundAdministration of any discrepancies identified in the P&L and performance fee calculations in a timely manner.
14. User entities are responsible for providing approval of the monthly financial statements in a timely manner.
15. User entities are responsible for notifying FundAdministration of any discrepancies or errors in the financial statements in a timely manner.
16. User entities are responsible for providing approval of the monthly financial statements in a timely manner.
17. User entities are responsible for providing timely review and approval of wire transactions.

## **SECTION 4**

### **TESTING OF CONTROL OBJECTIVES AND RELATED CONTROL ACTIVITIES PROVIDED BY THE SERVICE AUDITOR**

## GUIDANCE REGARDING INFORMATION PROVIDED BY THE SERVICE AUDITOR

A-lign's examination of the controls of FundAdministration was limited to the control objectives and related control activities specified by the management of FundAdministration and did not encompass all aspects of FundAdministration's operations or operations at user organizations. Our examination was performed in accordance with American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements No. 16 (SSAE 16).

Our examination of the control activities were performed using the following testing methods:

<b>TEST</b>	<b>DESCRIPTION</b>
Inquiry	The service auditor made inquiries of service organization personnel. Inquiries were made to obtain information and representations from the client to determine that the client's knowledge of the control and corroborate policy or procedure information.
Observation	The service auditor observed application of the control activities by client personnel.
Inspection	The service auditor inspected among other items, source documents, reports, system configurations to determine performance of the specified control activity and in some instances the timeliness of the performance of control activities.
Re-performance	The service auditor independently executed procedures or controls that were originally performed by the service organization as part of the entity's internal control.

In determining whether a SSAE 16 report meets the user auditor's objectives, the user auditor should perform the following procedures:

- Understand the aspects of the service organization's controls that may affect the processing of the user organization's transactions;
- Understand the flow of significant transactions through the service organization;
- Determine whether the control objectives are relevant to the user organization's financial statement assertions;
- Determine whether the service organization's controls are suitably designed to prevent or detect processing errors that could result in material misstatements in the user organization's financial statements and determine whether they have been implemented.

**CONTROL AREA 1****PHYSICAL SECURITY**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that business premises and information systems are protected from unauthorized access, damage, and interference.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
1.1	Documented physical key management policies and procedures are in place to guide personnel in the proper management, handling, and return of physical keys.	Inspected the Key Management Process and Policy to determine that documented physical key management policies and procedures were in place to guide personnel in the proper management, handling, and return of physical keys.	No exceptions noted.
1.2	Documented physical security policies and procedures are in place to guide personnel in physical security administration.	Inspected the physical security policy to determine that documented physical security policies and procedures were in place to guide personnel in physical security administration.	No exceptions noted.
1.3	Each entrance and access door throughout the facility is locked and secured by a card scanning system which prevents entry from unauthorized persons.	Observed entry and access points throughout the facility to determine that entrance and access doors throughout the facility were locked and secured by a card scanning system which prevented entry from unauthorized persons.	No exceptions noted.
1.4	Employees are assigned card access privileges to the facility and onsite data center through the use of predefined access zones.	Inspected a list of users with card access and card access zone definitions to determine that employees were assigned card access privileges to the facility and onsite data center through the use of predefined access zones.	No exceptions noted.
1.5	Physical security access is reviewed quarterly by the Chief Operating Officer(COO).	Inspected the most recent physical access audit documentation to determine that physical access was reviewed quarterly by the COO.	No exceptions noted.
1.6	Visitors entering the company's corporate offices are met by FundAdministration personnel and sign into a visitor's log.	Inspected visitor logs for a sample of days to determine that visitors were required to sign in when entering the building.	No exceptions noted.

**CONTROL AREA 1                      PHYSICAL SECURITY**

Control Objective Specified by the Service Organization:      Controls provide reasonable assurance that business premises and information systems are protected from unauthorized access, damage, and interference.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
1.7	Visitors entering the company's server room are required to sign into a visitor's log and are escorted by FundAdministration personnel.	<p>Observed the visitor sign-in process to determine that visitors entering the company's corporate offices were met by FundAdministration personnel and signed into a visitor's log.</p> <p>Observed the visitor sign-in process to the server room to determine that visitors entering the company's data center were required to sign into a visitor's log and were escorted by FundAdministration personnel.</p> <p>Inspected sign-in sheets for a sample of days from the company's server room to determine that visitors were required to sign-in when entering the company's data center.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p>

**CONTROL AREA 2****COMPUTER OPERATIONS**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance of timely system backups of critical files, off-site backup storage, and regular off-site rotation of backup files (if backups are to physical media).

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
2.1	Access to backup data is restricted to user accounts accessible by the COO and third party contractor.	Inspected the listing of users with the ability to access backup data to determine that access to recall backup data was restricted to user accounts accessible by the COO and third-party contractor.	No exceptions noted.
2.2	An automated backup system is utilized to perform scheduled application and database backups.	Inspected automated backup system configurations and job schedules to determine that an automated backup system was utilized to perform scheduled application and database backups.	No exceptions noted.
2.3	An automated system is configured to replicate production data to an off-site storage location as each backup occurs.	Inspected replication configurations to determine that an automated system was configured to replicate production data.	No exceptions noted.
2.4	Backup files are automatically encrypted as a component of the backup process.	Inspected backup encryption configurations to determine that backup data were automatically encrypted as a component of the backup process.	No exceptions noted.
2.5	The automated backup system is configured to perform hourly backups of production data during the week and every three hours on weekends.	Inspected backup schedule configurations to determine that the automated backup system was configured to perform hourly backups of production data during the week and every three hours on weekends.	No exceptions noted.
2.6	The backup system is configured to automatically notify the COO and third-party contractor in the event of backup failure.	Inspected the Alert Manager configuration and a sample alert to determine that the automated online backup system was configured to notify the COO and third-party contractor in the event of backup failure.	No exceptions noted.

**CONTROL AREA 3**

**INFORMATION SECURITY**

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

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.1	A centralized antivirus server is utilized to manage antivirus software installed on the network and workstations.	Inspected the centralized antivirus server configuration to determine that a centralized antivirus system was utilized to manage antivirus software installed on the network and workstations.	No exceptions noted.
3.2	Access to the production servers requires a user to remote access to the production systems via a user account and password.	<p>Inquired of the Chief Operating Officer to determine that access to the production servers required remote access into the production systems via user account and password.</p> <p>Inspected the remote access authentication configuration to determine that access to the production servers required a user to remote access to the production systems via a user account and password.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p>
3.3	<p>Administrator access within the PAXUS application is restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> <li>• COO</li> <li>• Senior account executive</li> </ul>	<p>Inquired of the Chief Operating Officer to determine administrator access within the PAXUS application was restricted to user accounts accessible by persons holding the following positions:</p> <ul style="list-style-type: none"> <li>• COO</li> <li>• Senior account executive</li> </ul>	No exceptions noted.



**CONTROL AREA 3**

**INFORMATION SECURITY**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition, or deletion.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.5	Administrator access within the operating system is restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul>	Inquired of the Chief Operating Officer to determine that administrator access within the operating system was restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul> Inspected the administrator access listing for production servers to determine that administrator access within the operating system was restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul>	No exceptions noted.  No exceptions noted.
3.6	Background checks are performed for employees as a component of the hiring process.	Inquired of the Chief Operation Officer regarding background checks to determine that background checks were performed for employees as a component of the hiring process.  Inspected completed background checks for a sample of new hires to determine that background checks were performed for employees as a component of the hiring process.	No exceptions noted.  No exceptions noted.

**CONTROL AREA 3****INFORMATION SECURITY**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition, or deletion.

<b>Control Point</b>	<b>Control Activity Specified by the Service Organization</b>	<b>Test Applied by the Service Auditor</b>	<b>Test Results</b>
3.7	Database users are authenticated via a user account and password before being granted access to the database.	Inspected the database administrator access listing and the authentication screens for a sample of databases to determine that database users were authenticated via a user account and password before being granted access to each database sampled.	No exceptions noted.
3.8	Management has an orientation checklist that is completed with each new hire, which documents the new hire policies and procedures.	Inspected the new hire orientation checklist for sample of new hires to determine that management had an orientation checklist that was completed with each new hire, which documented the new hire policies and procedures.	No exceptions noted.
3.9	New hires must sign an acknowledgement form indicating that they received the employee handbook that covers confidentiality and NDA information, as well as other policies.	Inspected the signed non-disclosure agreement for a sample of new hires to determine that new hires signed a confidentiality statement agreeing not to disclose proprietary or confidential information, including client information, to unauthorized parties.	No exceptions noted.

**CONTROL AREA 3**

**INFORMATION SECURITY**

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

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.10	Remote access to the PAXUS application is restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• CEO</li> <li>• COO</li> <li>• Cash management executive</li> <li>• Senior account executives (4)</li> <li>• Account executives (4)</li> <li>• Third party contractors (3)</li> </ul>	Inspected the listing of users with remote access privileges to determine that remote access to the PAXUS application was restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• CEO</li> <li>• COO</li> <li>• Cash management executive</li> <li>• Senior account executives (4)</li> <li>• Account executives (4)</li> <li>• Third party contractors (3)</li> </ul>	No exceptions noted.
3.11	Safety and Security Procedures for new employees are reviewed and signed as part of the hiring process. If procedures are updated, existing employees are given a copy and asked to acknowledge receipt by signing.	Inquired of the Chief Operation Officer to determine that Safety and Security Procedures for new employees were reviewed and signed as part of the hiring process and if procedures were updated, existing employees are given a copy and asked to acknowledge receipt by signing.  Inspected the signed Safety and Security Procedures documentation for a sample of new hires to determine that Safety and Security Procedures for new employees were reviewed and signed as part of the hiring process and If procedures were updated, existing employees are given a copy and asked to acknowledge receipt by signing.	No exceptions noted.  No exceptions noted.

**CONTROL AREA 3**

**INFORMATION SECURITY**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition, or deletion.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
		Inspected a sample of signed Safety and Security procedure documentation for current employees to determine that if Safety and Security Procedures for new employees were reviewed and signed as part of the hiring process and If procedures were updated, existing employees are given a copy and asked to acknowledge receipt by signing.	No exceptions noted.
3.12	The COO approves and submits access requests to the third party contractor via e-mail upon hire.	Inspected access request notifications for a sample of newly hired employees to determine that the COO approves and submits access requests to the third party contractor via e-mail upon hire.	No exceptions noted.
3.13	The COO notifies the third party contractor to revoke access via e-mail upon employee termination.	Inspected a sample of emails to determine that the COO notified the third party contractor to revoke access via e-mail upon employee termination.	Testing of the control activity disclosed that no employees were terminated during the review period.
3.14	The application is configured to enforce the following user account and password controls: <ul style="list-style-type: none"> <li>• Password minimum length</li> <li>• Password expiration intervals</li> <li>• Password complexity</li> <li>• Password history</li> <li>• Invalid password account lockout threshold</li> </ul>	Inspected the Paxus application authentication configuration to determine that the application was configured to enforce the following user account and password controls: <ul style="list-style-type: none"> <li>• Password minimum length</li> <li>• Password expiration intervals</li> <li>• Password complexity</li> <li>• Password history</li> <li>• Invalid password account lockout threshold</li> </ul>	No exceptions noted.

**CONTROL AREA 3****INFORMATION SECURITY**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that system information, once entered into the system, is protected from unauthorized or unintentional use, modification, addition, or deletion.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
3.15	The centralized antivirus server software is configured to perform on-access scans when files are accessed by end users.	Inspected the centralized antivirus server software scan configuration to determine that the centralized antivirus server software was configured to perform on-access scans when files were accessed by end users.	No exceptions noted.
3.16	The centralized antivirus software is configured to monitor for updates to antivirus definitions on a daily basis.	Inspected centralized antivirus server update configurations to determine that the centralized antivirus software was configured to monitor for updates to antivirus definitions on a daily basis.	No exceptions noted.
3.17	Users are authenticated via a user account and password before being granted access to the Paxus application.	Inspected the application authentication configuration to determine that users were authenticated via a user account and password before being granted access to the application.	No exceptions noted.
3.18	Users are authenticated via a user account and password before being granted access to the operating system.	Inspected operating system authentication configurations for production servers to determine that users were authenticated via a user account and password before being granted access to the operating system.	No exceptions noted.

**CONTROL AREA 4****DATA COMMUNICATIONS**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.1	Administrator access within the firewall systems is restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul>	Inquired of the Chief Operating Officer to determine that administrator access within the firewall systems was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul> Inspected the firewall administration access listing to determine that administrator access within the firewall systems was restricted to a shared administrator account accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Third party contractor</li> </ul>	No exceptions noted.  No exceptions noted.
4.2	An IPS is in place to analyze network device logs and report possible or actual network security breaches.	Inquired of the COO regarding 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.  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.  No exceptions noted.
4.3	An encrypted VPN is utilized for remote access to help ensure the privacy and integrity of the data passing over the public network.	Inspected the VPN encryption configuration documentation to determine that an encrypted VPN was utilized for remote access.	No exceptions noted.

**CONTROL AREA 4**

**DATA COMMUNICATIONS**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.4	Externally routable IP addresses are not assigned to internal production servers. NAT functionality of the firewall systems 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 systems was used to manage internal IP addresses.	No exceptions noted.
4.5	Firewall administrators are authenticated via an authorized user account and password before being granted access to perform firewall administration tasks.	Inquired of the Chief Operating Officer regarding 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.
4.6	Firewall systems are in place to filter unauthorized inbound network traffic from the internet.	<p>Inquired of the Chief Operating Officer to determine that firewall systems are in place to filter unauthorized inbound network traffic from the internet.</p> <p>Inspected the network diagram to determine that firewall systems were in place to filter unauthorized inbound network traffic from the internet.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p>

**CONTROL AREA 4****DATA COMMUNICATIONS**

Control Objective Specified by the Service Organization:

Controls provide reasonable assurance that data maintains its integrity and security as it is transmitted between third parties and the service organization.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
4.7	The IPS is configured to log certain events and the COO and third party contractor review IPS logs on an ad hoc basis.	Inspected the IPS logging configurations and example IPS logs generated during the review period to determine that the IPS was configured to log certain events and the COO and third party contractor reviewed IPS logs on an ad hoc basis.	No exceptions noted.
4.8	The firewall systems are configured to deny any type of network connection that is not explicitly authorized by a firewall rule.	Inspected the firewall rule set to determine that the firewall systems were configured to deny any type of network connection that was not explicitly authorized by a firewall rule.	No exceptions noted.
4.9	The firewall systems are configured to log certain events. The COO and third party contractor review the firewall log on an ad hoc basis.	Inquired of the Chief Operating Officer regarding the firewall logging configurations to determine that the firewall systems were configured to log certain events and that the COO and third party contractor reviewed the firewall log on an ad hoc basis.	No exceptions noted.
4.10	Wireless access points to the production network are secured using the WPA2 security mode with PSK encryption.	Inspected the firewall logging configurations to determine that the firewall systems were configured to log certain events.  Inspected the wireless router configuration to determine that wireless access points to the production network were secured using the WPA2 security mode with PSK encryption.	No exceptions noted.

**CONTROL AREA 5**

**FUND SETUP**

Control Objective Specified by the Service Organization:

Control activities provide reasonable assurance that new funds are set up in the accounting application accurately and completely

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
5.1	Account executives require fund managers to complete a client application prior to setting up new funds in the accounting application.	Inspected the client applications for a sample of new funds set up during the review period to determine that account executives required fund managers to complete a client application prior to setting up new funds in the accounting application.	No exceptions noted.
5.2	<p>The CEO and COO document an administration agreement that defines the terms of service as a component of the new fund setup process. The administration agreement is required to be signed by the following parties:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• Fund manager</li> </ul>	<p>Inspected the signed administration agreements for a sample of new funds set up 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 client sampled:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• Fund manager</li> </ul>	No exceptions noted.
5.3	<p>The accounting application is configured to perform data validation and edit checks for manual new funds entries to help ensure that required fields are complete that include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Fund name</li> <li>• Fund type</li> <li>• Fee schedule</li> <li>• Investment manager</li> <li>• Banking information</li> </ul>	<p>Inspected example error messages generated by the accounting application during the review period to determine that the accounting application was configured to perform data validation and edit checks for manual new funds entry that required the following fields were complete:</p> <ul style="list-style-type: none"> <li>• Fund name</li> <li>• Fund type</li> <li>• Fee schedule</li> <li>• Investment manager</li> <li>• Banking information</li> </ul>	No exceptions noted.

**CONTROL AREA 6****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 approped prior to sending subscription and redemption confirmation.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
6.1	Account executives requires client to approve subscription requests prior to sending subscription confirmations to investors.	Inspected evidence of approval for a sample of client subscriptions during the review period to determine that account executive required clients approval prior to sending subscription confirmations to investors.	No exceptions noted.
6.2	Account executives complete a checklist as a component of the redemption management process to help ensure that specific elements of the redemption management process are consistently executed.	Inspected the checklists for a sample of client redemptions during the review period to determine that account executives completed a checklist as a component of the redemption management process to help ensure that specific elements of the redemption management process were consistently executed.	No exceptions noted.
6.3	Account executives complete a checklist as a component of the subscription management process to help ensure that specific elements of the subscription management process are consistently executed.	Inspected the checklists for a sample of client subscriptions during the review period to determine that an account executive completed a checklist as a component of the subscription management process to help ensure that specific elements of the subscription management process were consistently executed.	No exceptions noted.
6.4	Account executives require investors to complete a subscription agreement as a component of the subscription management process.	Inspected the subscription agreements for a sample of investor subscriptions during the review period to determine account executive required investors to complete a subscription agreement as a component of the subscription management process.	No exceptions noted.

**CONTROL AREA 6****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 approped prior to sending subscription and redemption confirmation.

<b>Control Point</b>	<b>Control Activity Specified by the Service Organization</b>	<b>Test Applied by the Service Auditor</b>	<b>Test Results</b>
6.5	Account executives require investor to submit redemption requests to an account executive via e-mail, postal mail, or fax as a component of the redemption management process.	Inspected the redemption requests for a sample of investor redemptions during the review period to determine that account executives required investor to submit redemption requests to an account executive via email, postal mail, or fax as a component of the redemption management process.	No exceptions noted.
6.6	Account executives requires client to approve redemption requests prior to sending redemption confirmations to investors.	Inspected evidence of approval for a sample of investor redemptions during the review period to determine that account executives required client to approve redemption requests prior to sending redemption confirmations to investors.	No exceptions noted.

**CONTROL AREA 7****TRANSACTION PROCESSING**

Control Objective Specified by the Service Organization:

Control activities provide reasonable assurance that investment transactions are recorded accurately, timely, and completely.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
7.1	A separate account executive performs a review of the security or holdings reconciliation per the client agreement to help ensure that requisite items have been properly identified.	Inspected evidence of reconciliation review for a sample of clients and months during the review period to determine that a separate account executive performed a review of the security or holdings reconciliation per the client agreement to help ensure that requisite items had been properly identified.	No exceptions noted.
7.2	Account executives manually upload transactions or utilize standardized transaction 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"> <li>• Portfolio name</li> <li>• Custodian</li> <li>• Transaction price and quantity</li> <li>• Transaction date</li> <li>• Transaction type</li> </ul>	Inspected the standardized transaction templates for a sample of clients to determine that account executives manually uploaded transactions or utilized standardized transaction 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"> <li>• Portfolio name</li> <li>• Custodian</li> <li>• Transaction price and quantity</li> <li>• Transaction date</li> <li>• Transaction type</li> </ul>	No exceptions noted.
7.3	Account executives perform a reconciliation of the account values in the accounting application compared to the account value obtained from the authorized broker on a monthly basis to help ensure that investment transactions are recorded accurately and completely.	Inspected evidence of reconciliation for a sample of clients and months during the review period to determine that account executives performed a reconciliation of the account values in the accounting application compared to the account value obtained from the authorized broker for each client and month sampled.	No exceptions noted.

**CONTROL AREA 7****TRANSACTION PROCESSING**

Control Objective Specified by the Service Organization:

Control activities provide reasonable assurance that investment transactions are recorded accurately, timely, and completely.

<b>Control Point</b>	<b>Control Activity Specified by the Service Organization</b>	<b>Test Applied by the Service Auditor</b>	<b>Test Results</b>
7.4	Account executives upload and authorize transactions from the client or authorized broker to the accounting application on a daily basis for clients that require daily transaction processing.	Inspected the accounting application transaction upload activity report for a sample of clients and dates during the review period to determine that account executives uploaded and authorized transactions from the client or authorized broker to the accounting application for each client and date sampled.	No exceptions noted.
7.5	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.
7.6	The accounting application is configured to display a processed or pending notice after account executives upload the investment transactions included in the transaction list into the accounting application. Account executives research and resolve pending messages.	Inspected the processed statuses resulting from example investment transaction uploads performed during the review period to determine that the accounting application was configured to display a processed or pending notice after account executives uploaded the investment transactions included in the transaction list into the accounting application.	No exceptions noted.

**CONTROL AREA 8****CASH RECONCILIATION**

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.

<b>Control Point</b>	<b>Control Activity Specified by the Service Organization</b>	<b>Test Applied by the Service Auditor</b>	<b>Test Results</b>
8.1	A separate account executive performs a review of the cash reconciliation per the client agreement to help ensure that requisite items have been properly identified and reconciled.	Inspected the evidence of reconciliation review for a sample of clients and months during the review period to determine that a separate account executive performed a review of the cash reconciliation per the client agreement to help ensure that requisite items had been properly identified and reconciled.	No exceptions noted.
8.2	Account executives perform a reconciliation of the cash balances in the accounting application to the bank and/or brokerage account statements per the client agreement. Account executives research and resolve balances that do not reconcile.	Inspected the evidence of reconciliation for a sample of clients and months 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 month sampled.	No exceptions noted.
8.3	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.

**CONTROL AREA 9****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 Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
9.1	A separate account executive performs a review of the valuation reconciliation on a monthly basis to help ensure that requisite items have been properly identified and reconciled.	Inspected the monthly checklists evidencing reconciliation review for a sample of clients and months during the review period to determine that a separate account executive performed a review of the valuation reconciliation for each client and month sampled.	No exceptions noted.
9.2	Account executives manually upload transactions or 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: <ul style="list-style-type: none"> <li>• Portfolio name</li> <li>• Custodian</li> <li>• Transaction price and quantity</li> <li>• Transaction date</li> <li>• Transaction type</li> </ul>	Inspected the standardized security pricing templates for a sample of clients to determine that account executives manually uploaded security prices or utilized standardized security pricing templates for each client sampled that included the following information: <ul style="list-style-type: none"> <li>• Portfolio name</li> <li>• Custodian</li> <li>• Transaction price and quantity</li> <li>• Transaction date</li> <li>• Transaction type</li> </ul>	No exceptions noted.
9.3	Account executives perform a reconciliation of the account values in the accounting application to the account value obtained from the authorized broker on a monthly basis to help ensure that investment positions are properly valued. Open positions are reconciled to a third party pricing source for proper valuation.	Inspected the monthly checklists evidencing reconciliation for a sample of clients and months 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 month sampled.	No exceptions noted.

**CONTROL AREA 9****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.

<b>Control Point</b>	<b>Control Activity Specified by the Service Organization</b>	<b>Test Applied by the Service Auditor</b>	<b>Test Results</b>
9.4	Account executives upload security prices from the authorized broker or independent source to the accounting application per the client agreement.	Inspected the accounting application security price files for a 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.	No exceptions noted.
9.5	The accounting application is configured to display a processed or pending notice after account executives upload the security prices into the accounting application. Account executives research and resolve pending messages.	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 processed or pending notice after account executives uploaded the security prices into the accounting application.	No exceptions noted.

**CONTROL AREA 10****PROFIT (LOSS) ALLOCATION AND FEE CALCULATIONS**

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

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
10.1	A secondary account executive performs a review of the cash totals and positions, as well as the performance fee calculations, per the client agreement to help ensure that the reconciliations are performed accurately and completely.	Inspected the review checklist for a 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, per the client agreement to help ensure that the reconciliations were performed accurately and completely.	No exceptions noted.
10.2	An account executive confirms that the accounting application calculates performance fees based on the fund's legal document per the client agreement.	Inspected the monthly checklists for a sample of clients and months to determine that an account executive confirmed that the accounting application calculated performance fees based on the fund's legal document per the client agreement.	No exceptions noted.
10.3	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.	Inspected the cash reconciliations for a sample of clients and months during the review period to determine that account executives performed 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 were recorded and profit or loss was allocated accurately and completely.	No exceptions noted.

**CONTROL AREA 11****FINANCIAL STATEMENT REPORTING**

Control Objective Specified by the Service Organization:

Control activities provide reasonable assurance that financial statements are prepared accurately and delivered completely.

Control Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
11.1	A secondary account executive performs an independent review of the financial statements prior to sending the statements to the fund manager to help ensure that financial statements have been prepared accurately and completely.	Inspected the review checklist for a sample clients and months during the review period to determine that a secondary account executive performed an independent review of the financial statements prior to sending the statements to the fund manager to help ensure that financial statements had been prepared accurately and completely.	No exceptions noted.
11.2	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.	Inspected the review checklist for a sample of clients and months during the review period to determine that an account executive performed a review of the financial statements prior to sending to the fund manager to help ensure that statements had been prepared accurately and completely.	No exceptions noted.
11.3	An account executive requires written approval of the financial statements from the fund manager prior to finalizing the financial statements.	Inspected the financial statement approvals for a 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.
11.4	An account executive utilizes the accounting application to generate financial statements for the fund manager on a timely basis per the client agreement.	Inspected the financial statements for a sample of clients and months during the review period to determine that an account executive utilized the accounting application to generate financial statements for the fund manager on a timely basis per the client agreement.	No exceptions noted.

**CONTROL AREA 12****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 Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
12.1	An account executive utilizes the accounting application to generate the investor statements for the fund investors on a monthly or quarterly basis.	Inspected the investor statements for a sample of clients and months 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.
12.2	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.	Inspected the review checklists for a 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.
12.3	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.	Inspected the review checklists for a sample of clients and months during the review period to determine that a secondary account executive performed an independent review of the investor statements for each client and month sampled.	No exceptions noted.
12.4	An account executive requires documented approval of the investor statements from the fund manager prior to distributing to the fund's investors.	Inspected the investor statement approvals for a sample of clients and months during the review period to determine that documented approval of the investor statements was obtained prior to distribution to the fund's investors for each client and date sampled.	No exceptions noted.

**CONTROL AREA 13****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 Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
13.1	Account executives obtain the following from a fund manager prior to processing an investor redemption request: <ul style="list-style-type: none"> <li>• Investor redemption request</li> <li>• Redemption approval</li> </ul>	Inspected the investor redemption requests and approvals for a sample of investor redemptions executed during the review period to determine that account executives obtained the following from a fund manager for each client and investor redemption sampled: <ul style="list-style-type: none"> <li>• Investor redemption request</li> <li>• Redemption approval</li> </ul>	No exceptions noted.
13.2	Account executives obtain the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> <li>• Account transfer approval</li> <li>• Account wire instructions</li> </ul>	Inspected the client business agreement for a sample of clients and account transfers executed during the review period to determine that account executives obtained account transfer approval and vendor wire instructions from an authorized client representative for each client and account transfer sampled.	No exceptions noted.
13.3	Account executives obtain the following from an authorized client representative prior to processing an account transfer request: <ul style="list-style-type: none"> <li>• Account transfer approval</li> <li>• Account wire instructions</li> </ul>	Inspected the account transfer approvals and account wire instructions for a sample of clients and account transfers executed during the review period to determine that account executives obtained the following for each client and account transfer sampled: <ul style="list-style-type: none"> <li>• Account transfer approval</li> <li>• Account wire instructions</li> </ul>	No exceptions noted.

**CONTROL AREA 13****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 Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
13.4	Account executives obtain the following from an authorized client representative prior to processing an expense payment request: <ul style="list-style-type: none"> <li>• Expense payment approval</li> <li>• Vendor wire instructions</li> </ul>	Inspected the expense payment approvals and vendor wire instructions for a sample of clients and expense payments executed during the review period to determine that account executives obtained the following for each client and expense payment sampled: <ul style="list-style-type: none"> <li>• Expense payment approval</li> <li>• Vendor wire instructions</li> </ul>	No exceptions noted.
13.5	Account executives obtain the following from an authorized client representative prior to processing an expense payment request: <ul style="list-style-type: none"> <li>• Expense payment approval</li> <li>• Vendor wire instructions</li> </ul>	Inspected the client business agreement for a sample of clients and expense payments executed during the review period to determine that account executives obtained expense payment approval and vendor wire instructions from an authorized client representative for each client and expense payment sampled.	No exceptions noted.
13.6	Account executives utilize a centralized accounting application to record and process expense payments, account transfers, and investor redemptions.	Observed the accounting application to determine that account executives utilized a centralized accounting application to record and process expense payments, account transfers, and investor redemptions.	No exceptions noted.
13.7	An account executive performs a review of the support information and wire instructions to help ensure accuracy and completeness of the request.	Inspected evidence of wire transfer review for a 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.	No exceptions noted.

**CONTROL AREA 13****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 Point	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
13.8	Documented cash management policies and procedures are in place to guide personnel in the following areas: <ul style="list-style-type: none"> <li>• Expense payments</li> <li>• Account transfers</li> <li>• Investor redemptions</li> <li>• Wire transactions</li> </ul>	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: <ul style="list-style-type: none"> <li>• Expense payments</li> <li>• Account transfers</li> <li>• Investor redemptions</li> <li>• Wire transactions</li> </ul>	No exceptions noted.
13.9	The ability to execute expense payments, account transfers, and investor redemptions is restricted to user accounts accessible by individuals holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Account executives (7)</li> </ul>	Inspected the listing of users with accounting application access to determine that the ability to execute expense payments, account transfers, and investor redemptions was restricted to user accounts accessible by persons holding the following positions: <ul style="list-style-type: none"> <li>• COO</li> <li>• Account executives (7)</li> </ul>	No exceptions noted.