

BSI[®]

BUSINESS SOFTWARE, INC.

SaaS Solutions

SOC 3 - Security

For The Period December 1, 2016 to November 30, 2017



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SECTION I
INDEPENDENT SERVICE AUDITOR'S REPORT



INDEPENDENT SERVICE AUDITOR'S REPORT

To: The Management of Business Software, Inc.

Scope

We have examined Business Software, Inc.'s (BSI's) accompanying assertion titled "Management's Assertion of Business Software, Inc. Regarding Its *SaaS Solutions*" (assertion) that the controls within BSI's *SaaS Solutions* System (TaxFactory™, ComplianceFactory™, and TaxProfileFactory™, collectively, the "*SaaS Solutions*") were effective throughout the period December 1, 2016 to November 30, 2017, to provide reasonable assurance that the *SaaS Solutions* were protected against unauthorized access, use, or modification to achieve BSI's commitments and system requirements based on the criteria for security in the American Institute of Certified Public Accountants' TSP Section 100A, *Trust Services Principles and Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (2016) (AICPA, *Trust Services Criteria*).

Service Organization's Responsibilities

BSI is responsible for its service commitments and system requirements and for designing, implementing, and operating effective controls within the *SaaS Solutions* to provide reasonable assurance that BSI's service commitments and system requirements were achieved. BSI has also provided the accompanying assertion about the effectiveness of controls within the *SaaS Solutions*. When preparing its assertion, BSI is responsible for selecting, and identifying in its assertion, the applicable trust service criteria and for having a reasonable basis for its assertion by performing an assessment of the effectiveness of the controls within the *SaaS Solutions* system.

Service Auditor's Responsibilities

Our responsibility is to express an opinion, based on our examination, on whether management's assertion that controls within the system were effective throughout the period to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria. Our examination was conducted 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 management's assertion is fairly stated, in all material respects. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination included:

- (1) Obtaining an understanding of the *SaaS Solutions* system and BSI's service commitments and system requirements.
- (2) Assessing the risks that controls were not effective to achieve BSI's service commitments and system requirements based on the applicable trust services criteria.
- (3) Performing procedures to obtain evidence about whether controls within the *SaaS Solutions* system were effective to achieve BSI's service commitments and system requirements based on the applicable trust services criteria.

Our examination also included performing such other procedures as we considered necessary in the circumstances.

Inherent Limitations

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

Because of their nature, controls may not always operate effectively to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria. Also, the projection to the future of any conclusions about the effectiveness of controls is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, BSI's management's assertion that the controls within BSI's *SaaS Solutions* system were effective throughout the period December 1, 2016 to November 30, 2017 to provide reasonable assurance that BSI's service commitments and system requirements were achieved based on the applicable trust services criteria is fairly stated, in all material respects.

Windham Brannon, P.C.
Certified Public Accountants

July 19, 2018

SECTION II
MANAGEMENT'S ASSERTION OF BUSINESS SOFTWARE, INC.'s
***SAAS SOLUTIONS* FOR THE PERIOD DECEMBER 1, 2016 TO**
NOVEMBER 30, 2017



**MANAGEMENT'S ASSERTION OF BUSINESS SOFTWARE, INC.
REGARDING ITS SAAS SOLUTIONS**

We are responsible for designing, implementing, operating, and maintaining effective controls over security within Business Software, Inc.'s (BSI's) System (TaxFactory™, ComplianceFactory™, and TaxProfileFactory™, collectively, the "SaaS Solutions") throughout the period December 1, 2016 to November 30, 2017, to provide reasonable assurance that BSI's commitments and system requirements relevant to security were achieved.

Our Description of Business Software, Inc.'s *SaaS Solutions* System in Section III identifies the aspects of the *SaaS Solutions* system covered by our assertion.

We have performed an evaluation of the effectiveness of the controls within the system throughout the period December 1, 2016 to November 30, 2017 to provide reasonable assurance that BSI's service commitments and system requirements were achieved based on the trust services criteria relevant to security set forth in TSP Section 100A, *Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (2016) (AICPA, *Trust Services Criteria*).

There are inherent limitations in any system of internal control, including the possibility of human error and the circumvention of controls. Because of these inherent limitations, a service organization may achieve reasonable, but not absolute assurance that its service commitments and system requirements are achieved.

Based on this evaluation, we assert that the controls within the system were effective throughout the period December 1, 2016 to November 30, 2017 to provide reasonable assurance that the system was protected against unauthorized access, use, or modification to achieve BSI's commitments and system requirements based on the applicable trust services criteria.

SECTION III
DESCRIPTION OF BUSINESS SOFTWARE, INC.'S
SAAS SOLUTIONS
FOR THE PERIOD DECEMBER 1, 2016 TO NOVEMBER 30, 2017

History

Since its founding in 1979, Business Software, Inc.'s (BSI's) full-time business has been regulatory and compliance software for payroll systems. BSI pioneered the modern tax system with the introduction of BSI-TAX™, its flagship product. Since then, BSI has revolutionized payroll tax procedures and has been a full-time payroll tax specialist, devoted exclusively to regulatory and compliance software. BSI's many years of specialization have resulted in industry-leading expertise and payroll compliance solutions. These solutions improve the efficiency of processes related to payroll tax and regulatory compliance and automate tedious manual processes for improved compliance and greater internal efficiency.

Simplifying payroll tax and compliance is BSI's core business. Over 38 years of industry experience, development ingenuity, and advanced technology have distinguished BSI as the leading provider of payroll regulatory and compliance solutions. BSI presently has more than 3,000 customers in the United States, Canada, and around the world using one or more of its payroll compliance products. These customers represent almost 27 million employees whose payroll liabilities are calculated by BSI's products. In fact, many of the largest companies in the world are BSI customers. This diverse group of major organizations, service bureaus, and payroll system providers has leveraged the innovatively-engineered solutions from BSI to increase efficiency and solve their payroll tax challenges.

BSI is headquartered in Peachtree Corners, Georgia, a suburb of the metropolitan Atlanta, Georgia area. BSI has experienced substantial growth and continues to capitalize on its experience. With a unique blend of technological innovation and fast-paced delivery of advanced feature content, BSI sets the industry standards.

SaaS Solutions

As one of the earliest adopters of SaaS technology, BSI is able to offer bundled suites (the "SaaS Solutions") in a multi-tenant cloud environment, collectively containing a large number of feature-rich individual applications, that reduce costs, increase productivity, and simplify compliance including:

TaxFactory™ - performs calculations of federal, state and local, and U.S. territory payroll taxes for the employee and employer. The burden of tracking regulatory rules is eliminated for tax calculations, wage and benefit plan taxability, wage attachments, and deferred income. TaxFactory integrates with internal systems, including HR/Payroll and Deferred Income, and increases productivity and facilitates payroll withholding compliance. Its extensive capabilities allow BSI's customers to improve their own effectiveness while reducing overall costs.

ComplianceFactory™ - offers a robust U.S. payroll tax management tool that simplifies the burden of maintaining compliance and offers management of high-volume filing and payment processing for companies of all sizes. A suite of applications improves the management of filing, processing payments, and related payroll tax responsibilities through a simplified employer dashboard. ComplianceFactory integrates with internal systems including HR/Payroll, Accounts Payable, General Ledger, and various back-office functions.

TaxProfileFactory™ - sets up payroll tax configurations on demand for employees that are newly hired, have changes to their data, or are subject to newly enacted taxes. It works both in interactive and batch mode. The solution automatically creates the employee tax profiles for federal, state, local, and territory taxes and presents employees with the appropriate payroll tax forms based on their individual taxing situation. The system considers concepts such as reciprocity and nexus when determining the employee's individual workflow.

People

BSI's organization is segregated by function to ensure that competency centers are similarly grouped to streamline intra-divisional processes and procedures. A three-tiered management structure is utilized to provide proper oversight and control. Access to sensitive data and systems is further restricted through use of role-based job descriptions.

BSI employs standard onboarding processes structured to cover BSI's general operating practices, policies, and procedures and assists employees and contractors in becoming acclimated to BSI's business philosophy and environment. Through this program, new employees and contractors gain an understanding of BSI's overall mission and core values, departmental operation practices, and individual job descriptions. Employees are provided with the BSI employee handbook, including BSI's security program, ethics, and professional conduct policies, during orientation and are required to undergo annual Security Awareness Training as a condition of continuing employment.

Infrastructure

BSI uses a subservice organization to host and manage the IT infrastructure that houses the *SaaS Solutions*, which employs state of the art security to assure physical integrity, including the use of smart cards, biometric hand scanners, digital video surveillance, and on-site security officers to prevent unauthorized access. Integrated systems to prevent and detect fires, electrical power fluctuations, and temperature abnormalities are in place to maintain optimal environmental conditions for operating the *SaaS Solutions* and minimize threats to computer equipment. Uninterruptible power supplies are leveraged to protect systems and ensure failover performance in the event of an emergency.

Security

Security is proactively designed into all aspects of BSI's *SaaS Solutions* to optimize data protection and integrity, including data and transport-level encryption and obfuscation, using a formal, documented, industry standard development methodology. Credentials to access the *SaaS Solutions* are encrypted via SSL while in transmission, with the use of weak or obvious passwords prevented. An encrypted session ID cookie is used to uniquely identify each user granted access credentials. For added security, the session key is automatically scrambled and re-established in the background at regular intervals. A delegated management model is employed to limit access to the *SaaS Solutions* and functions strictly on an as-needed basis. Change management, incident management, and problem management follow industry standard principles and provide a framework of guidelines and best practices for managing software services and infrastructure.

Firewalls, intrusion detection systems, authorization mechanisms, and security devices are employed and continually monitored to control network security. A centralized virus control system is used with daily updates to virus scanning patterns to monitor for malicious attacks on the corporate network, with automatic updating of virus signatures. Multiple layers of antivirus software for the *SaaS Solutions* are run to protect against common malicious software. A comprehensive intrusion detection system (IDS) designed to detect unauthorized access is employed with weekly internal scans and reporting/risk management of critical vulnerabilities. Network scans are performed quarterly against all *SaaS Solutions* to detect critical security vulnerabilities. A backup and retention program has been implemented to ensure business continuity and protect important records from loss, destruction, and unauthorized modification, in consideration of applicable statutory, regulatory, contractual, and business requirements. Periodic security assessments are conducted by a third-party to validate the effectiveness of security controls in the infrastructure and *SaaS Solutions*.

Customer Data

BSI customers have ownership and control of their data, including sole responsibility for its accuracy and integrity. Customers must inform interested parties of the transmittal and processing of their data and ensure those parties have consented to such transmittal and processing, as required by all applicable data protection and privacy legislation. Additionally, customers must comply with all applicable laws and regulations when using the *SaaS Solutions*, including those related to data privacy, and maintain the confidentiality of any access credentials issued for their account.