Report on Brokered Certificate of Deposit Program (SimpliCD)

PRIMARY FINANCIAL COMPANY LLC

SOC 1 Type 2 – September 30, 2014

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Section One

INDEPENDENT SERVICE AUDITOR’S REPORT

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GBQ Partners

To Management of
Primary Financial Company LLC
Dublin, Ohio

Independent Service Auditor's Report

Scope

We have examined Primary Financial Company LLC's description of its system for processing transactions for user Credit Unions of its SimpliCD Brokered Certificate of Deposit Program ("SimpliCD" or "System") throughout the period October 1, 2013 to September 30, 2014, and the suitability of design and operating effectiveness of controls to achieve the related control objectives stated in the description.

Primary Financial Company LLC uses various subservice organizations to enable certain aspects of its SimpliCD Brokered Certificate of Deposit Program including

- Pershing LLC, a subsidiary of BNY Mellon for safekeeping and settlement services for a portion of the deposit assets.
- Microsoft Corporation and its Windows Azure Platform as a Service (PaaS) for managing SimpliCD applications in a global network of Microsoft-managed datacenters.

Primary Financial Company LLC's control objectives and related controls which are listed in section 4 of this report, include only the control objectives and related controls of Primary Financial Company LLC and exclude the control objectives and related controls of these subservice organizations. Our examination did not extend to controls at the subservice organizations.

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 Primary Financial Company LLC'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.

To Management of
Primary Financial Company LLC

Service Organization's Responsibilities

In Section 2 of this report, Primary Financial Company LLC has provided an assertion about the fairness of this presentation of the description and the suitability of design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Primary Financial Company LLC is responsible for preparing the description and for the assertion, including the completeness, accuracy and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing and documenting controls to achieve the related control objectives stated in the description.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period from October 1, 2013 to September 30, 2014.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of presentation of the description of the system and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related controls objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in section 2 of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent Limitations

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

Opinion

In our opinion, in all material respects, based on the criteria described in Primary Financial Company LLC's assertion in Section 2 of this report:

a) The description fairly presents the SimpliCD Brokered Certificate of Deposit Program that was designed and implemented throughout the period October 1, 2013 to September 30, 2014.

b) The controls related to the control objectives stated in the description of controls were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2013 to September 30, 2014, and user entities applied the complementary user entity controls throughout the period October 1, 2013 to September 30, 2014.

c) The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively through the period October 1, 2013 to September 30, 2014.

Description of Tests of Controls

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

To Management of
Primary Financial Company LLC

Restricted Use

This report and the description of tests of controls and results thereof in Section 4 of this report are intended solely for the information and use of Primary Financial Company LLC, user entities of Primary Financial Company LLC's SimpliCD program during some or all of the period October 1, 2013 to September 30, 2014, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information, including information about the controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than those specified parties.

GBQ Partners LLC

Columbus, Ohio
November 12, 2014

Section Two

PRIMARY FINANCIAL COMPANY LLC ASSERTION

PrimaryFinancial
a credit union service organization

PRIMARY FINANCIAL COMPANY LLC

SimpliCD Process and Controls Assertion

We have prepared the description of controls over the brokered certificate of deposit program (SimpliCD) for user credit unions for the period of October 1, 2013 to September 30, 2014 and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user credit unions of the systems themselves, when assessing the risks of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that

1. The description fairly presents the system made available to user entities during the period of October 1, 2013 to September 30, 2014, for processing their transactions. *Primary Financial Company LLC uses various depository and settlement subservice organizations. The description includes only the control objectives and related controls of Primary Financial Company LLC and excludes the control objectives and controls of these subservice organizations*. The criteria we used in making this assertion were that the description

    a) presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including if applicable

        (i) the types of services provided including, as appropriate, the classes of transactions processed.

        (ii) 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.

        (iii) 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.

        (iv) how the system captures significant events and conditions, other than transactions.

        (v) the process used to prepare reports and other information for user entities.

        (vi) 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.

        (vii) 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.

b) does not omit or distort information relevant to the scope of the system, while acknowledging that the description is presented to meet the common needs of a broad range of user entities of the system and their financial statement auditors, and may not, therefore, include every aspect of the system that each individual user entity of the system and its auditor may consider important in its own particular environment.

2. The description, if applicable, includes relevant details of changes to the SimpliCD system during the period covered by the description.

3. The controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period of October 1, 2013 to September 30, 2014, to achieve those control objectives. The criteria we used in making this assertion were that

   a. the risks that threaten the achievement of the control objectives stated in the description have been identified by management;

   b. 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

   c. the controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.

Mark D Solomon

Mark Solomon, President and CEO

Section Three

DESCRIPTION OF PRIMARY FINANCIAL COMPANY LLC’S SIMPLICD BROKERED CERTIFICATE OF DEPOSIT PROGRAM

Description of Primary Financial Company LLC's SIMPLICD Brokered Certificate of Deposit Program

Overview and Background

Primary Financial Company LLC ("Primary" or "PFC") is a leader in institutional investment services. Formed in 1996, Primary is a corporate credit union service organization (CUSO). Primary offers a turnkey program, called SimpliCD, which enables its customers to invest in federally insured certificates of deposit (CDs). Primary earns a spread over the term of the CD for performing the services of the SimpliCD program. Through the SimpliCD program, customers have access to competitive rates from a nationwide pool of CD issuing financial institutions. Whether a customer is purchasing one CD or many, the entire amount is settled in one transaction. SimpliCD tracks and monitors all payments received from multiple CD issuing institutions and ensures that they are processed correctly. An Investment and Interest Summary is sent to customers on a monthly basis and details the customer's entire SimpliCD portfolio. Additionally, customers receive one consolidated monthly interest payment for their entire SimpliCD portfolio. SimpliCD only offers CDs from institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). Also, within the SimpliCD program, the SimpliCD processing system assures that customers are placed in no more than $250,000 in principal at any financial institution.

Control Environment

Organization and Operations

As a corporate CUSO, Primary was established in accordance with the provisions of the National Credit Union Administration (NCUA) regulations and the Ohio Revised Code. Primary is governed by a board of directors (the Board). Primary's activities are conducted in accordance with established policies and procedures adopted by the Board of Directors, which are periodically updated.

Control Environment (continued)

Organization and Operations (continued)

There are various functional departments that manage and perform the daily operations of Primary and the SimpliCD program. The trading department is primarily responsible for obtaining current rates from issuing institutions, performing financial reviews and insurance verification of issuing institutions, making rates available to SimpliCD customers and purchasing CD assets. The operations department is primarily responsible for processing all cash flows related to the SimpliCD program and ensuring that safekeeping receipts are received and reviewed for accuracy. Primary manages its own information systems, its payroll processes, its benefit administration and other human resource functions. The sales staff of the SimpliCD program is primarily made up of co-brokers, mainly corporate credit unions. The co-brokers earn a portion of the spread for CDs sold by them.

Personnel Controls

The Company's hiring practices are designed to ensure that employees are qualified for the job responsibilities. Hiring policies include minimum education and experience requirements, and background and reference checks. The performance of personnel is evaluated on an on-going basis and must meet performance standards set by the Company. Failure to meet performance standards will result in disciplinary actions up to and including termination of employment. Employees are prohibited from divulging confidential information regarding client affairs or taking any action contrary to the best interest of clients.

Management communicates with the various functional areas of the Company through regular meetings and conferences.

Risk Assessment

The Board of Directors and management of the Company monitor risk and quality of operations through review of financial, operational, co-broker and customer reporting and feedback. There is also a formal strategic process that is updated on an annual basis to guide the long term objectives of the organization.

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Information and Communication

SimpliCD is developed and runs using the Microsoft .NET architecture. SimpliCD is hosted on Microsoft's Azure cloud environment. System development follows a structured development methodology based on Microsoft Team Foundation Server and Microsoft Visual Studio. Program changes or data changes are requested only through the Help Desk Request e-Mail System. All change requests are logged in e-Mail. Requests are reviewed by the SVP, Operations VP and CEO and pass through a formal approval process. Each request is thoroughly documented. Each code change passes through a code review process performed by IT workers other than the code developer. Each code change is tested by the developer and end users and is subject to formal approval to move into Production by the requester's manager. Code versions are maintained in Microsoft Team Foundation Server (TFS). TFS access is restricted to PFC IT employees and contractors only. Production versions of application packages are maintained in Azure Blob storage for backward compatibility.

PFC user and corporate user connections to SimpliCD applications are secured via HTTPS protocols. Logical Access for PFC users and corporate users of the web based SimpliCD application is restricted by built in login systems using uniquely identifiable user accounts and application functions groups. There are several groups to restrict access for application functions. Access to each is limited and controlled. Each corporate user has a designated Administrator assigned to manage their users' rights. The corporate Administrator is assigned or change only after completing and signing 'Administrator Change Request Form' by senior official of the corporate. Requests for establishing, suspending or closing user accounts are initiated by business managers through the help desk. Access profiles are granted based on managers request, and IT confirms with managers any request that appears to be atypical for a given role.

Application code and database access are restricted to IT workers only. The PFC file system is located within Microsoft Azure Blob storage facilities. PFC uses secure desktop and web clients to access the file system. These provide access control using uniquely identifiable user accounts with folder access permission levels.

The Columbus, Indiana office has the same type of secured internet connection as the Dublin, Ohio office. Access to the web application and file system operates the same within both offices for all users and is controlled only by IT employees located at the Dublin Office.

Sub Service Organizations

Primary Financial Company uses third-party service providers in its normal course of business to provide settlement and safekeeping of certain deposit assets, and for hosting its public facing SimpliCD applications and platform architecture. The table below contains a description of the services provided, and a link to the respective sub-service organizations web site.

Company	Description	Web site reference
Pershing LLC	Pershing LLC is a subsidiary of BNY Mellon and a leading provider of securities services. Pershing provides clearing, execution, settlement, custody and trading services for a portion of the SimpliCD program deposit assets.	www.pershing.com/broker_dealer/operational_suport.htm
Microsoft Corporation	Windows Azure is a Microsoft cloud computing platform used to build, deploy and manage applications and services through a global network of Microsoft-managed datacenters. Primary Financial's Brokered Certificate of Deposit Program (SimpliCD) was developed, deployed and is managed through this Platform as a Service offering.	www.windowsazure.com

This report addresses the relevant control objectives and related controls of Primary Financial Company LLC. GBQ's examination did not extend to the controls of the aforementioned sub-service providers.

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Description of Controls

Control Objective 1: Controls are in place to provide reasonable assurance that issuing financial institutions properly title each CD.

PFC provides the issuing institution detail titling instructions and then reviews safekeeping receipts to assure the title on each CD is correct.

Control Objective 2: Controls are in place to provide reasonable assurance that for each customer no more than $250,000 of investments can be purchased in any single financial institution.

The system has an embedded programed feature that identifies and prevents a customer from exceeding the insured limit amount from an issuing institution.

Control Objective 3: Controls are in place to provide reasonable assurance that each CD is sold to only one customer.

The system has embedded features that match the available CDs to the trades and prevent overselling of the same CD to more than one investor

Control Objective 4: Controls are in place to provide reasonable assurance that CDs are only sold for FDIC/NCUSIF insured financial institutions.

Only issuers with federal deposit insurance are authorized issuers of CDs within the parameters of the system.

Control Objective 5: Controls are in place to provide reasonable assurance that Primary's safekeeping records for SimpliCD are complete and accurate.

PFC monitors the receipt of safekeeping receipts from all of its issuers using an automated control system. Once the receipts are received, a process is in place to review the receipt for accuracy and completeness. An electronic copy is then created and maintained.

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Description of Controls (continued)

Control Objective 6: Controls are in place to provide reasonable assurance that incoming funds from customers are properly accounted for and principal is properly remitted to the issuers.

Each day, a balancing process is followed to assure all incoming and outgoing funds are matched and reconciled to assure that all funds are properly accounted for. The system also identifies all CDs maturing on a given day so that any funds not received are properly identified and controlled.

Control Objective 7: Controls are in place to provide reasonable assurance that payment of interest to customers is accurate and timely.

Interest is remitted to investors on an automated basis using the contractual terms agreed to by the investor, regardless of when the funds are actually received from the issuer. Monitoring systems are in place to assure the related income is received from the issuer as well. Each investor is provided a monthly statement detailing interest and principal payments.

Control Objective 8: Controls are in place to provide reasonable assurance that receipt of interest from issuers is accurate and timely.

All issued CDs are individually accounted for on the system and expected interest income is calculated. As interest is received it is posted to the respective CD in the system. This provides for the monitoring by both CD and issuer of interest due.

Control Objective 9: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary's customers.

Each day a balancing process is followed to assure all incoming and outgoing funds are matched and reconciled to assure that all funds are properly accounted for. The system also identifies all CDs maturing on a given day so that any funds not received are properly identified and controlled.

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Description of Controls (continued)

Control Objective 10: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary's customers for bank and credit union failures.

PFC has written procedures in place that are followed in connection with issuing institution failures, to assure that the federal insurance is maintained. These procedures include communication protocol with the respective deposit insurer and monitoring to assure all investor funds are received and remitted.

Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.

System Administration and Development Authentication and Access

System Administrators and Application Developers use the Azure Management Console for defining and establishing the cloud web services and database system configurations. These users are PFC employees and contractors. The Azure Management Console requires these users to authenticate with a unique user ID and password.

System Administrators, Administrative Support employees and Application Developers use desktop applications to access blob storage for administrative documents and also to access settlement files which are processed by SimpliCD. The desktop application organizes the blob storage as a virtual drive and folder system. Access control is limited to the user's required functionality and users are given access only to the logical folders required to perform their job functions. Each user has a unique user id and password.

Operating system authentication is independent of application access. Web browsers using https access Azure. PFC employees use local Windows workstation authentication to access their workstations. Unique user ID and passwords are required for PFC employee workstation access. PFC System Administrators use a generic administrative account to perform privileged desktop maintenance, because the workstations are not in a Windows domain.

SimpliCD users authenticate to SimpliCD with a unique user ID and password.

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Description of Controls (continued)

SimpliCD Authentication

Password constraints exist which are designed to facilitate the use of strong passwords. These controls include minimum length, complexity and account lockout for invalid password attempts. In addition, SimpliCD will time-out and return to the authentication screen after a period of inactivity. Clear-text passwords are not stored by SimpliCD; password hashes are stored.

User Access Control

Each corporate credit union has roles assigned to their employees. These roles include Authorized Signer, Administrator and Users. Individual access granularity can be established within the organization for users by assigning privileges to groups and assigning users into these groups.

PFC maintains contact with Authorized Signers for each corporate credit union. An Authorized Signer is a corporate credit union employee who is a member of senior management. The Authorized Signer is authorized to delegate the persons at the credit union who are permitted to have administrative access to SimpliCD. The credit union employee(s) designated as administrators have the authority to establish employee access.

PFC requires a signed form to change Authorized Signers and SimpliCD Administrators. These requests were forwarded to and coordinated with the PFC IT Director for establishing access rights prior to conversion. Post-conversion, PFC requires a signed form to change Authorized Signers and SimpliCD Administrators.

User organizations (corporate credit unions) are restricted to accessing only their own investment, trading and user information. A system-control is in place which is a programmed routine to detect permissions and return only results for the organization.

Network Controls

Azure provides the ability for system administrators to establish and manage certain firewall rules within the application's virtual database environment. Microsoft Azure provides additional system level controls which secure each subscribers virtual environment. Each subscription has a unique subscription id. Access within the subscription's environment is granted only with access credentials for that subscription.

Description of Controls (continued)

Control Objective 12: Controls provide reasonable assurance that physical and logical access to the application development environment is restricted to authorized and appropriate personnel.

Physical Access Controls

The Brokered Certificate of Deposit Program (SimpliCD) system is hosted at Microsoft's Azure datacenters; however, PFC maintains its application development environment at the corporate headquarters which is located in a multi-tenant office building in Dublin Ohio. The office building automatically locks and unlocks the doors at proscribed times to secure the building during non-business hours.

The PFC office suite has two entrances; the front entrance is locked during non-business hours and the back entrance is locked at all times. Both entrances are alarmed. A chime is sounded any time either door is opened during normal business hours. The staff arms the system when they leave at night, and disarm it when they arrive each morning. Physical keys and a combination keypad are used to gain access to the suite.

Logical Access Controls

PFC uses portable and desktop computers to access the application development and system management environments (Microsoft Team Foundation Server and Azure respectively). Workstation controls include:

- Workstations access is secured with a unique user id and password.
- Local user profiles are limited to the primary workstation user and an administrator account.
- Anti-malware software is in use.
- Workstations are configured to automatically download and install Windows updates.
- Files are stored on the Azure storage system.
- Local workstation shares are not used.

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Description of Controls (continued)

Control Objective 13: Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances.

Application Development and Change Control

Application change requests are generated by PFC employees. Requests may originate in PFC or from a co-broker.

E-mail is used for communicating the request specifications, development, prototyping, approval and production staging. Microsoft Team Foundation is also used for this process during package development, and was used extensively for the initial conversion from Notes to ASP.

Requests are reviewed by the Helpdesk and developer teams. This process defines the nature of the request and is used to determine the impact on all SimpliCD users. This process is also used to break a request into component phases if necessary.

Code development is managed in Microsoft Team Foundation Server. Team Foundation Server provides management utilities to provide consistency and communication in the development, testing, and migration phases.

Code instances are named with a specific date and time to ensure developers select the latest code instance for changes.

A new environment instance is created in Azure for testing. The new environment is generated from a configuration file which exists in the backups. Configuration files are contained in application packages. These configuration files define the environment. Microsoft Team Explorer automatically builds the environment and copies all the production code into the test environment. The configuration files and the application package solution files used by Team Foundation help ensure consistency and completeness.

A new package will be deployed for testing in Azure using the correct backup of the environment, which includes the environment (instance) definition.

Code review is done by a separate PFC developer and by Quick Solutions, Inc., a contracted third-party developer. Visual Studio provides a side-by-side code comparison feature which is used to review code changes. Code review and approval is communicated by e-mail.

Description of Controls (continued)

Application Development and Change Control (continued)

Production deployment is automated by Team Foundation Server. A new production instance is staged and the existing production instance is merged into the new production instance, with only the changed files being deployed. Team Foundation tracks the changes to files and identifies these for production staging.

Production deployment is scheduled during non-business hours. A pre-migration backup of the production environment is made prior to migration. The production staging merge process permits an update to be deployed while the application is running in production if necessary.

Control Objective 14: Controls provide reasonable assurance that application and system processing are monitored, authorized and executed in a complete, accurate and timely manner, and deviations, problems and errors are identified, tracked, recorded and resolved in a complete, accurate and timely manner.

Performance and Task Monitoring

Microsoft Azure Management Console Dashboard provides continuous performance and capacity monitoring and displays both real-time and historical performance graphs. Performance and utilization can be produced for defined historical periods and the current processing. Management reviews performance and utilization to correlate tasks to utilization, and to troubleshoot problems.

Tables in the database store event records which include all tasks run by task and schedule processors and also contain messages generated by those tasks. SimpliCD is configured with multiple task processors and a queue worker. These task processors write events to the logs when tasks commence and complete, including message content relevant to the task such as number of records processed and e-mail tasks. These tables are monitored at PFC for task scheduling and completion status. In addition, these event tables are used to manage task restarts, should a task fail. Monitoring these event tables helps ensure task completion throughout the day.

Database Processing Integrity

Database transaction processing often occurs in programmatic loops. Transaction integrity is implemented throughout the system with the use of “Commit” statements. Typical coding involves a looping or iterative process with a “Begin Work” statement and a “Commit” statement. This ensures all task work is complete prior to writing to the database.

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Description of Controls (continued)

Backup and Replication

Backup and replication occurs throughout the day every day. Databases are backed up daily using blob storage to copy the production database from the Azure host site to the Azure host site. The database is backed up to blob storage at the. A third-party service conducts the backup and e-mails the results to PFC daily.

Application package backup occurs as new code is implemented. The development server resides in the PFC office in Dublin Ohio, and is stored in Blob format at the Azure data center. Each application build is named using the date and time of the build.

The application and database server environment are stored in configuration files which are maintained by PFC and backed up in blob storage.

Control Objective 15: Controls provide reasonable assurance that data transmissions between the service organization and its user entities and other outside entities are from authorized sources and are complete, accurate, secure and timely.

SimpliCD web login and processing pages require an HTTPS connection. Azure console operations attempted with http result in a “page not found” error. SSL v3 and TLS v1.0 are available, SSL v2.0 is disabled. A valid digital certificate is provided by a trusted certificate authority.

Azure console operations web login and operations pages require an HTTPS connection. Azure console operations attempted with http redirect to https. TLS v1.0 is available. A valid digital certificate is provided by a trusted certificate authority.

Section Four

INFORMATION PROVIDED BY THE SERVICE AUDITOR

Information Provided by the Service Auditor

Control Objectives and Related Controls

This section is intended to provide interested parties with information sufficient to obtain an understanding of those aspects of Primary Financial Company LLC's (PFC) internal control structure policies and procedures over the SimpliCD program that may be relevant to user organization's internal control structure, and reduce the assessed level of control risk below the maximum for certain financial statement assertions.

The broad objectives of controls over the SimpliCD program should be achieved by a combination of the procedures that are employed in various segments of the investment process which includes both procedures performed at Primary Financial Company LLC and procedures performed by customers who invest in certificates of deposit through the SimpliCD program.

For each of the control objectives listed below, only those control procedures, which contribute to the attainment of the related control objective, are described and were tested.

In connection with the testing of the internal controls pertaining to the processing of transactions for the System, we tested automated application system controls (e.g., edits/validations of data, system calculations, production of reports) through various methods including but not limited to:

- Observing actual production transactions processed through the systems (e.g. transactions failing);
- edit/validation checks; and
- Obtaining evidence that the automated control is operating as intended through sufficient inquiry, observation, examination and/or re-performance procedures during our walkthrough of the related transaction process.

Control Objectives and Related Controls (continued)

The types of tests performed of the operational effectiveness of the SimpliCD System described in Section Three are briefly described below:

Test	Description
Inquiry	Inquired of appropriate PFC personnel. Inquiries seeking relevant information or representation from PFC personnel were performed to obtain, among other factors: • Knowledge, additional information and affirmation regarding the control. • Corroborating evidence of the control activity.
Observation	Observed the application or existence of specific controls as represented.
Inspection	Inspected documents and records indicating performance of the control. This includes, among other things: • Inspection of reconciliations and management reports that age or quantify reconciling items to assess whether balances and reconciling items are properly monitored, controlled and resolved; • Examination of source documentation and authorizations to test propriety of transactions processed; • Examination of documents or records for evidence of performance such as the existence of initials or signatures; and • Inspection of PFC systems documentation, such as operations manuals, organizational charts, job descriptions and flow charts.
Re-performance	Re-performed control activities as designed by management.

General Controls Placed in Operation and Tests of Operating Effectiveness

TRADING ACTIVITIES

Control Objective 1: Controls are in place to provide reasonable assurance that issuing financial institutions properly title each CD.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
Upon purchase, instructions are sent by Primary to the issuing financial institution on how to properly title the CD. Titling on the safekeeping receipt is subsequently reviewed to ensure compliance with the original instructions (see section B. Safekeeping for more information).	Subjected all CDs issued from October 1, 2013 through September 30, 2014 to selection. Randomly selected 50 CDs and sent verification to issuing institutions confirming significant terms of the transactions and the institution's receipt of the titling instructions from Primary Financial Company LLC.	No relevant exceptions were noted.

Control Objective 2: Controls are in place to provide reasonable assurance that for each customer no more than $250,000 of investments can be purchased in any single financial institution.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
The process of comparing the underlying issuing financial institution for new CD purchase requests to existing deposits of the customer is an automated process performed by the SimpliCD processing system. The SimpliCD processing system will not allow a trade for a customer if an existing deposit is found. No manual intervention or override capabilities exist.	Performed live tests using dummy transactions on the SimpliCD processing system attempting to purchase CDs on behalf of customers already with CDs through the SimpliCD program. The objective was to have the customer purchase more than $250,000 with the issuer.	Transactions were locked out and not allowed to be processed. No override capabilities were allowed.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

TRADING ACTIVITIES (continued)

Control Objective 3: Controls are in place to provide reasonable assurance that each CD is sold to only one customer.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
When Primary's trading desk attempts to match an open purchase request to a CD asset on the SimpliCD processing system, the system compares the dollar amounts and will not allow trades in excess of the asset. Once a purchase request is funded, the SimpliCD processing system will not allow the trade to be unlocked from the CD asset.	Performed live tests attempting to sell CD assets to multiple customers in excess of the amounts available. Using automated audit software matched 100% of the CDs sold to customers during the audit period to the corresponding assets from issuing institutions.	Transactions were locked out and not allowed to be processed. No override capabilities were allowed. No instances were found indicating CDs sold to customers exceeded the assets purchased from issuing institutions.
Operations performs a reconciliation of the SimpliCD processing system daily to verify that CD assets from the prior day plus current day sales less current day maturities agree to the total CD asset balance on the SimpliCD processing system at the end of the day.	Examined documentation prepared by Primary's operations department evidencing that these reconciliations were being performed during the audit period.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

TRADING ACTIVITIES (continued)

Control Objective 4: Controls are in place to provide reasonable assurance that CDs are only sold for FDIC/NCUSIF insured financial institutions.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
The issuer profile within the SimpliCD processing system requires the trading desk to obtain and enter the issuer's insurance number prior to Primary selling any CDs for the issuer.	Extracted a complete list of issuing institutions from the SimpliCD processing system including the field representing the institutions' federal insurance identification number and reviewed the list 100% to determine all issuing institutions had numbers assigned. Selected 12 institutions from the list and verified insurance through location of institution on FDIC or NCUA websites, as applicable.	Noted all issuing institutions had a federal insurance identification number. No relevant exceptions were noted.
On a quarterly basis, the trading desk performs a review of all issuers to ensure that Primary has updated the issuer profile on the SimpliCD processing system for name changes or mergers.	Obtained supporting documentation verifying the reviews performed during the audit period.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SAFEKEEPING ACTIVITIES

Control Objective 5: Controls are in place to provide reasonable assurance that Primary's safekeeping records for SimpliCD are complete and accurate.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
Customer profiles are set-up in the SimpliCD processing system by the trading desk. Customer profiles are populated based on information from the customer agreements and include name, address, tax ID, routing and transit number and settlement instructions. The SimpliCD processing system does not allow Primary's operations department to make changes to customer profiles. When a trade ticket is opened for a new CD purchase, the customer data associated with the individual trade is automatically populated from the customer profile. The SimpliCD processing system generates the customer's monthly statements based on the customer data associated with each trade.	Selected 10 customers and obtained a copy of their SimpliCD customer agreements. For the customers selected agreed the name, address, tax ID, routing and transit number and settlement instructions to the SimpliCD processing system customer profile data. In addition, selected 15 customers from the customer profile database and performed mock trades on each customer to determine that the information on the trade ticket populated properly. Also examined the optical copy of customer statements for each of the customers selected and verified the information on the statement against the customer profile.	No relevant exceptions were noted. No relevant exceptions were noted.
The titling, dollar amount, rate, settlement date, maturity date and asset number on the safekeeping receipt is verified against the corresponding data on the SimpliCD processing system.	Randomly selected 50 CD assets purchased during the audit period from the transaction files and examined actual certificate and related safekeeping information. For each selection, verified that data from the issuing institution substantially matched the data included in the SimpliCD processing system.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SAFEKEEPING ACTIVITIES (continued)

Control Objective 5: Controls are in place to provide reasonable assurance that Primary's safekeeping records for SimpliCD are complete and accurate.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
Reports are run regularly to determine which safekeeping receipts have not been received. Primary's operations department performs manual follow up for safekeeping receipts not received. Corrections to safekeeping receipts are worked manually by Primary's operations department before they are filed. Safekeeping receipts are filed and maintained for six years after the CD has matured.	Discussed the procedures in place and examined spreadsheets and reports maintained to track this information. Tested that files are being maintained for six years after the CD has matured.	Found the procedures to be in place and the staff responsible to be knowledgeable with respect to the processes. Records are maintained for six years after CD has matured.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SETTLEMENT ACTIVITIES - PURCHASES

Control Objective 6: Controls are in place to provide reasonable assurance that incoming funds from customers are properly accounted for and principal is properly remitted to the issuers.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	Test Description:	Test Results:
Real time checks are performed throughout the day to determine which trades Primary's customers have not funded.	Discussed daily processes with operations personnel to determine the procedures are in place. Selected four days within the audit period and reconciled all CD purchase activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day. In addition, the activity was reconciled to the corresponding daily general ledger accounting entries.	Found the procedures to be in place and the staff responsible to be knowledgeable with respect to the processes. All transaction activity properly reconciled to the underlying cash and general ledger transactions.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SETTLEMENT ACTIVITIES – PURCHASES (continued)

Control Objective 6: Controls are in place to provide reasonable assurance that incoming funds from customers are properly accounted for and principal is properly remitted to the issuers.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
Real time checks are performed throughout the day to determine which CD asset purchases Primary has not funded. Primary's operations department researches and resolves unfunded customer purchase requests and CD asset purchases throughout the day. The operations department verifies that the name on the wire of incoming customer principal agrees with the name on the original trade ticket. The incoming and outgoing wire account for principal is reconciled daily by Primary's operations department.	Discussed daily processes with operations personnel to determine the procedures are in place. Selected four days within the audit period and reconciled all CD purchase activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day. In addition, the activity was reconciled to the corresponding daily general ledger accounting entries.	No relevant exceptions were noted. No relevant exceptions were noted.
The incoming and outgoing wire account for principal is reconciled monthly by Primary's accounting department.	Selected three months during the audit period and examined the month end reconciliations and supporting documentation.	Reconciliations were complete, accurate and in balance.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SETTLEMENT ACTIVITIES - INTEREST

Control Objective 7: Controls are in place to provide reasonable assurance that payment of interest to customers is accurate and timely.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
The calculation and payment of interest to customers is an automated process performed by the 5th day of every month by the SimpliCD processing system.	Selected five customers with investments in CDs outstanding during the audit period, obtained a sample of month end statement copies that were provided to the customers, tested the calculation of accrued interest and agreed rate, term and amount to the SimpliCD system. For three of the customers tested, traced the payment of the monthly interest to the appropriate subsequent settlement to assure interest payments were timely and in the correct amounts.	All interest calculations tested were accurate, the underlying data in agreement between the customer statement and the SimpliCD processing system and payments made timely and for the correct amounts.

Control Objective 8: Controls are in place to provide reasonable assurance that receipt of interest from issuers is accurate and timely.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
Reports are generated regularly that compare expected interest calculated by the SimpliCD processing system versus actual interest received from the issuer. Variances greater than 3% are researched and resolved by Primary's operations department.	Examined the reports used to perform this procedure and discussed the process with operations personnel.	Found the process to be in place during the audit period and the documentation supporting the resolution of differences and contact with issuing institutions to be thorough.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SETTLEMENT ACTIVITIES - MATURITIES

Control Objective 9: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary's customers.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
The SimpliCD processing system generates reports daily listing all CDs maturing that day. Primary's operations department manually works the report to determine which CDs are being renewed versus actually maturing. Primary's operations department follows up on maturities for which funds have not been received from the issuer and remitted to the customer. The incoming and outgoing wire account for principal is reconciled daily by Primary's operations department.	Discussed daily processes with operations personnel to determine the procedures are in place. Selected three days within the audit period and reconciled all CD maturity activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day. In addition, the activity was reconciled to the corresponding daily general ledger accounting entries.	Processes found to be adequate and in place. All transaction activity properly reconciled to the underlying cash and general ledger transactions.
The incoming and outgoing wire account for principal is reconciled monthly by Primary's accounting department.	Selected three months during the audit period and examined the month-end reconciliations and supporting documentation.	Reconciliations were complete, accurate and in balance.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

SETTLEMENT ACTIVITIES – BANK FAILURES

Control Objective 10: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary's customers for bank and credit union failures.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Procedure:	**Test Description:**	**Test Results:**
The Indiana office is notified by FDIC/NCUA about any financial institution failures. Once notification is received a claims form is completed and filed with the appropriate regulatory authority to collect funds from the failed credit union or bank. Any changes in rates to be paid by the failing institution are communicated to the investing credit unions as soon as notification is received. The funds for principle and interest from the failed institution are received via wires to PFC and forwarded through wires to appropriate investors with principle plus any interest. Monitoring of the collections status of failed institutions consists of ongoing communication within the Company and when appropriate with the regulators.	Reviewed written procedures in place over failed institution and obtained a listing of all the failed financial institutions from October 1, 2013 to September 30, 2014. Select three failed financial institutions from the listing provided and reviewed the related claims forms and other documentation related to the collecting of the funds and distribution to the investors. Discussed the Failure Procedures with operating personnel to determine that the proper processes are in place and are accurately being followed.	No relevant exceptions were noted. No relevant exceptions were noted. No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS

Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	Tests Performed	Test Result
Users are authenticated at the network operating system and application level using uniquely identifiable accounts.	Inquired of the systems used by PFC employees and contractors. Inspected 100% of accounts on the PFC Team Foundation (TFS) Development server. Tests performed: ✓ Verify authentication policy is in place ✓ Verify accounts are current PFC employees or Quick Solutions, Inc. contractors ✓ Verify accounts have changed passwords within the past 12 months (based on authentication risk assessment) ✓ Verify unused accounts are disabled or removed ✓ Verify members of administrator group(s) are authorized for privileged system access Observed the SimpliCD application authentication process.	Developers and PFC employees are initially assigned a 12 character complex password. Due to the strength of this initial password, it is not required that the initial password be changed. This password is a saved credential for a persistent mapping a virtual drive to the virtual server which exists in the Azure environment. Cached credentials for connection persistence are stored in the Windows credentials manager which is generally considered safe when due care is exercised over workstation security. An authentication policy is in place, but account lockout for invalid attempts is not enforced.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Activity	Tests Performed	Test Result
	Inspected 100% of PFC and QSI contractor users on SimpliCD, Azure, Team Foundation (development environment) and the production SimpliCD SQL database.	Inspected all accounts on the PFC server: – Five accounts have not changed their password in the past 12 months. – One contractor has not logged in for 9 months. – One unidentified account exists, but is disabled. – Recommendation: • The Azure Windows server account lockout policy should be set to lock accounts after a specified number of invalid login attempts (usually 5 or less). • The password policy should require password changes at least every 12 months. • Administrator-level passwords should be changed at least every three months.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Activity	Tests Performed	Test Result
		• Contractor accounts should require password changes at least every three months because PFC has no control over the devices used to authenticate with contractor credentials. • Accounts should be disabled when they have not been used for three months.

Management's Response:

Management does not believe the finding noted to be significant to the control structure, but does agree with the finding and as a best practice has elected to either remediate it already or will do so no later than January 31, 2015.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	**Tests Performed**	**Test Result**
Passwords for access to applications are encrypted in storage and policies are in place to maintain the effectiveness of authentication and access mechanisms.	Inquired regarding the application code which controls authentication. Inspected the SimpliCD Users SQL table which stores user account information and password salts and hashes. Clear-text passwords are not stored.	No relevant exceptions were noted.
Requests for establishing, changing and terminating user accounts and access are initiated and approved by persons with proper authority.	Inquired of the process for establishing and maintaining user accounts. Obtained and inspected authorization forms (1) which are in place for corporate credit unions to request authority and access changes. Obtained list of all SimpliCd Administrators (only Admin access requests are processed by PFC, Co-Broker Admins assign users within their own organizations. Identified one Administrator created in 2013. Requested authorization request for Administrator, and determined the Admin account was created by the co-broker Admin in accordance with established procedures.	Two of five Co-Broker Administrators tested were created by their own Co-Broker Administrator and three were created by PFC. One Co-Broker Administrator created by PFC on July 16, 2014 did not have a request on file, but had already been a designated co-broker admin for the same co-broker, with a slightly different user name. Co-Broker Administrators can be added by other Co-Broker Administrators in their organization without submitting a request from an Authorized Signer. We recommend that the change request form, or equivalent documentation, be required and retained for all Co-Broker Admin requests which are made by PFC.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	Tests Performed	Test Result
		We also recommend that PFC consider an enhancement to SimpliCD to maintain a journal of changes to user access which maintains record of adding users, modifying user attributes (including Admin privilege), and removing users. This type of event log would capture and retain the date, time, UserID who made the change, and the changed data for the subject user. Maintaining an audit trail of user access changes provides a basis for establishing and researching the propriety of access rights internal control, and also provides documentation of access changes should a Co-Broker later question how or when a user gained any level of access. This journal would be a complementary control to the existing formal request form process.

Management's Response:

Management does not believe the finding noted to be significant to the control structure, but does agree with the finding and as a best practice has elected to either remediate it already or will do so no later than January 31, 2015.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Activity	Tests Performed	Test Result
User organizations can only access information in SimpliCD which is for their organization. System controls prevent access to other organizations.	Inquired of the controls in place to prevent inter-organization access in SimpliCD. Re-performed inter-organization access attempts. Inquired and determined that permissions programs which restrict access are in place using a key which is derived with user id and co-broker id.	No relevant exceptions were noted.
Firewalls are configured to deny all access to the internal networks except that which is explicitly approved and routed to specific devices within our environment.	Inspected firewall configurations in Azure to determine whether connections to the Azure services are restricted to PFC and QSI locations by IP address or IP address range. Tested http, https, rdp, sql, telnet, web services, AD (SMB), ftp connections for Azure IP for PFC's subscription. Inspected firewall access control lists for inbound protections to PFC.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 12: Controls provide reasonable assurance that physical and logical access to the application development environment at the PFC office is restricted to authorized and appropriate personnel.	**The control objective has been partially meet**

Control Activity	Tests Performed	Test Result
Access to the PFC office is restricted after normal business hours.	Inquired of management regarding physical access controls at the PFC office. Inspected the local network equipment room to determine whether the equipment is sufficiently secured and environmentally protected. Inspected access points, locks, and devices that are connected to the alarm system.	No relevant exceptions noted.
Logical access to IT systems in the PFC office is restricted with appropriate authentication and access controls.	Inquired of management regarding logical access control design. Inspected list Inspected workstation access control configurations.	Authentication mechanisms are in place but could be strengthened to appropriately restrict logical access to the application development environment at PFC office. Event logs should be enabled to strengthen authentication access detection controls.

Management's Response:
Management does not believe the finding noted to be significant to the control structure, but does agree with the finding and as a best practice has elected to either remediate it already or will do so no later than January 31, 2015.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 13: Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	Tests Performed	Test Result
Requests for program changes are standardized, logged, approved, documented, and subject to formal change management procedures.	Inquired of management regarding approval of program development and change control activities. Inquired of management regarding the processes for establishing a test environment, checking out code, and migrating code changes into the production virtual instance. Inspected a sample of change-sets checked into the SimpliCD production environment. Selected a sample of checked in code-sets for review. Inspected development specifications and compared to detailed requirements and user story. Concluded that specifications are detailed and tracked in the SDLC.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 13: Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	**Tests Performed**	**Test Result**
A testing strategy is developed and followed for all significant changes to production applications.	Inquired of management regarding documentation and use of test cases. Inspected documentation of testing performed on application development and enhancements for the sampled change-sets.	No relevant exceptions were noted.
A program migration (movement) process is documented that includes ensuring approvals and testing signoffs have been obtained prior to migrations to production.	Inspected the organization of environment and solution files used to generate production staging. Inspected the review and logging of the selected change-sets into the production environment.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 14: Controls provide reasonable assurance that application and system processing are monitored, authorized and executed in a complete, accurate and timely manner, and deviations, problems and errors are identified, tracked, recorded and resolved in a complete, accurate and timely manner	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	**Tests Performed**	**Test Result**
The company monitors systems performance, utilization, capacities and event logs to ensure operational availability and integrity of systems.	Inquired and observed Management's use of event monitoring and logs. The Windows Azure production Instance monitor and the SimpliCD Schedule Execution logs are the primary management monitoring tools. The Schedule Execution logs are e-mailed to the IT Manager and IT Operations at PFC. The IT Manager reviews schedule execution from his smartphone e-mail access daily.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Activity	Tests Performed	Test Result
SimpliCD systems support transaction logging and recovery. Database changes are captured and written to transaction logs that can be used to recover the databases in the event of corruption or failure.	Inquired regarding SQL database record processing and the controls used to ensure completeness and integrity. Inspected application code samples for Begin Work and Commit tasks with associated database commit statements. Identified additional data integrity controls present within the code samples reviewed.	No relevant exceptions were noted.
Critical data is replicated among data centers throughout the day and local replica copies are maintained at each location.	Inquired of replication and backup procedures, and recovery capabilities. Inspected backup completion records of and databases.	No relevant exceptions were noted.

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General Controls Placed in Operation and Tests of Operating Effectiveness (continued)

GENERAL SYSTEM CONTROLS (continued)

Control Objective 15: Controls provide reasonable assurance that data transmissions between the service organization and its user entities and other outside entities are from authorized sources and are complete, accurate, secure and timely.	**CONTROL OBJECTIVE HAS BEEN MET.**

Control Activity	**Tests Performed**	**Test Result**
Customer connections to the SimpliCD applications are secured via HTTPS connections using public-private key cryptography	Inspect SimpliCD web login pages: ✓ Verify that https secure connection is required to log in ✓ Verify that weak encryption security protocols are not permitted to connect ✓ Verify that a valid certificate from a trusted authority is in use	No relevant exceptions were noted.
Connections between PFC corporate and the system operations center are secured via HTTPS connections using public-private key cryptography.	Inspected Microsoft Azure web login pages to verify that https is required for connection and that only strong encryption can be used	No relevant exceptions were noted.

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Complementary User Entity Controls

In accordance with terms of this engagement, no evaluation of the management controls or detailed user controls exercised by the users of the brokered certificate of deposit program (SimpliCD) has been made. It is the responsibility of Primary Financial Company's users and their auditors to ensure that appropriate review procedures and controls are in place within the user to complement the system of controls described as part of the SimpliCD system.

SimpliCD was designed with the assumption that internal controls would be implemented by user organizations (i.e. Credit Union clients). These controls should be in operation at user organizations to complement Primary Financial Company's controls described in this report. The user control considerations presented below should not be regarded as a comprehensive list of all controls which should be used by user organizations.

User organizations (Users) that utilize the brokered certificate of deposit program (SimpliCD) should ensure the following controls have been place in operation:

- Users are responsible for establishing controls to assure they are aware of any duplicate investments they may have resulting in investments over the federal insurance limits. They are also responsible for evaluating the financial condition of issuing institutions. User credit unions should review their monthly statements from Primary for accuracy, including verification of the rate, amount and maturity date.

- Users should reconcile their monthly receipt of interest and/or principal from Primary to their own books and records and verify the amount of interest income received.

- Users should perform their own review of the safety and soundness of the issuing financial institutions.

- Users should review their portfolio of CDs, whether purchased through Primary or otherwise, to ensure they do not exceed the insurance limit.

- Users are responsible for establishing controls to assure they are aware of any duplicate investments they may have resulting in investments over the federal insurance limits. They are also responsible for evaluating the financial of issuing institutions.

Complementary User Entity Controls (continued)

- User entities are responsible for establishing controls to assure their employees adhere to good password practices which include establishing strong passwords, periodically changing passwords and maintaining password confidentiality User entities are responsible for establishing controls to assure that their employees have proper roles with respect to their relationship with PFC and their access within SimpliCD.
- User entities are responsible for establishing a secure workstation and user configuration for devices which are used to connect to SimpliCD.
- User entities are responsible for establishing controls to assure the physical and logical security of their records, infrastructure and computing devices.
- User entities are responsible for establishing controls to assure their workstation browser software is configured to use the highest level of encryption, which should minimally be TLS v 1.0.

Section Five

OTHER INFORMATION PROVIDED BY PRIMARY FINANCIAL COMPANY LLC

Other Information Provided by Primary Financial Company LLC

Business Recovery Plan

Our business applications, databases, file system, application code, other software tools and backups are located as follows:

Business Applications and data:

- PFC Public Website running on Microsoft Azure platform and infrastructure.
- SimpliCD Application, SQL Azure Database and SimpliCD SQL Reporting Server hosted and running on Microsoft Azure platform and infrastructure.
- Application development environment is located on resources within PFC's corporate headquarters and administrative offices.
- Application test environment is running on Microsoft Azure platform and infrastructure.

Other files related to SimpliCD Application like Settlement, Safekeeping and others are hosted on Microsoft Azure Blob storage platform and infrastructure.

File System is hosted on Microsoft Azure Blob storage platform and infrastructure.

Backups of Application packages and data:

- SQL Azure Database backed-up daily on Microsoft Azure Blob storage platform and infrastructure.
- Production version of SimpliCD and Public Website applications deployment packages are on Microsoft Azure Blob storage platform and infrastructure.

Business Recovery Plan (continued)

To guard against hardware failures and improve availability, all storage blobs are replicated across three servers within the hosting Microsoft Azure datacenter. Writing to a blob updates all three copies, so later reads won't see inconsistent results. Additionally, all Windows Azure blob and table storage is replicated between paired data centers hundreds of miles apart within a specific geographic region. Given the world class data centers Microsoft has made available and the extreme redundancy it provides, the risk of widespread loss is very low. We rely on Microsoft Azure for most common disaster recovery services. However, in the event of data center failure or internet connectivity failure in primary data center region, Primary has a documented recovery and continuity plan to enable continued operation of the business.

Microsoft Azure Cloud Data Centers

We, Primary Financial, have developed our SimpliCD Application using the Cloud based Microsoft Azure platform and SQL Azure Database. We have also used Microsoft Azure blob storage as our file system solution.

Microsoft Azure provides adequate physical secure data center environment and network security. Windows Azure runs in data centers managed and operated by Microsoft Global Foundation Services (GFS). These geographically dispersed data centers comply with key industry standards, such as ISO/IEC 27001:2005, for security and reliability. They are managed, monitored and administered by Microsoft operations staff that have years of experience in delivering the world's largest online services with 24 x 7 continuity. In addition to data center, network, and personnel security practices, Windows Azure incorporates security practices at the application and platform layers to enhance security for application developers and service administrators. Microsoft conducts regular penetration testing to improve Windows Azure security controls and processes. More information about Microsoft Azure Security can be found at http://www.windowsazure.com/en-us/support/trust-center/security/.

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Microsoft Azure Cloud Data Centers (continued)

Microsoft's approach to security in its cloud environment is laid out in the white paper securing Microsoft's Cloud Infrastructure. To summarize, the company applies security mechanisms at different layers of the cloud infrastructure to implement a defense-in-depth approach. These layered mechanisms include:

- Physical security of the data centers (locks, cameras, biometric devices, card readers, alarms)
- Firewalls, application gateways and IDS to protect the network
- Access Control Lists (ACLs) applied to virtual local area networks (VLANs) and applications
- Authentication and authorization of persons or processes that request access to data
- Hardening of the servers and operating system instances
- Redundant internal and external DNS infrastructure with restricted write access
- Securing of virtual machine objects
- Securing of static and dynamic storage containers

Assets are categorized as to the level of security required, based on the potential for damage. The principle of least privilege is followed, whereby persons and processes are given the lowest level of access that is required for them to do their jobs and no more.

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