Tab Service Company

SOC 3 Report
Management's Assertion Regarding the Effectiveness of Controls Relevant to Security, Processing Integrity, and Confidentiality for the period December 1, 2016 to May 31, 2017

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Section I: Independent Service Auditor's Report

Tab Service Company
Chicago, Illinois

Scope
We have examined management's assertion that throughout the period December 1, 2016 to May 31, 2017, Tab Service Company ("Tab Service" or the "Company") maintained effective controls over its 1099 Processing System (1099PS) at its Chicago, Illinois location to provide reasonable assurance that:

- The system was protected against unauthorized access, use, or modification to meet commitments and system requirements
- Processing is complete, valid, accurate, timely, and authorized to meet the entity's commitments and system requirements
- Information designated as confidential is protected to meet commitments and system requirements

to meet the criteria for the security, processing integrity and confidentiality principles, based on the criteria set forth in TSP section 100, *Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (AICPA, Technical Practice Aids) (applicable trust services criteria) effective for periods on or after December 15, 2016 (applicable trust services criteria),

Tab Service uses XL.net for information technology management, Off-Site LLC for colocation services, and Rackspace US, Inc. for email exchange server hosting. The description indicates that certain applicable trust services criteria can be met only if certain types of controls that management expects to be implemented at the subservice organizations are suitably designed and operating effectively. The description presents Tab Service's system; its controls relevant to the applicable trust services criteria; and the types of controls that the service organization expects to be implemented, suitably designed, and operating effectively at the subservice organizations to meet certain applicable trust services criteria. The description does not include any of the controls expected to be implemented at the subservice organizations. Our examination did not extend to the services provided by the subservice organizations, and we have not evaluated whether the controls management expects to be implemented at the subservice organizations have been implemented or the suitability of the design or operating effectiveness of such subservice organization controls.

Service organization's responsibilities
The description indicates that certain applicable trust services criteria specified in the description can be met only if complementary user entity controls assumed in the design of Tab Service's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.
Tab Service's management is responsible for this assertion. Our responsibility is to express an opinion based on our examination. Management's description of the aspects of the 1099PS covered by its assertion is attached. We did not examine this description, and accordingly, we do not express an opinion on it.

Service auditor's responsibilities

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included procedures that we considered necessary in the circumstances. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the controls were suitably designed and operating effectively to meet the applicable trust services criteria throughout the period December 1, 2016 to May 31, 2017.

An examination of the suitability of the design and operating effectiveness of those controls to meet the applicable trust services criteria involves:

- Evaluating and performing procedures to obtain evidence about whether the controls were suitably designed and operating effectively to meet the applicable trust services criteria insert if throughout the period December 1, 2016 to May 31, 2017.
- Assessing the risks that the controls were not suitably designed or operating effectively.
- Testing the operating effectiveness of those controls to provide reasonable assurance that the applicable trust services criteria were met.
- Evaluating the suitability of the criteria specified by the service organization in its assertion.

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 and inherent limitations, controls at a service organization may not always operate effectively to meet the applicable trust services criteria. Also, conclusions about the suitability of the design or operating effectiveness of the controls to meet the applicable trust services criteria is subject to the risks that the system may change or that controls at a service organization may become inadequate or fail.

Opinion
In our opinion, at its Chicago, Illinois location, management's assertion referred to above is fairly stated, in all material respects, based on the applicable trust services criteria.

Emphasis of a Matter
As noted in management’s assertion, there were no new vendors or contractors incorporated as part of the system during the period December 1, 2016 to May 31, 2017. Therefore, we did not perform any tests of the operating effectiveness of controls related to Confidentiality Criteria 1.4, “The entity obtains confidentiality agreements that are consistent with the entity’s confidentiality system requirements from vendors and other third parties whose products and services are part of the system and have access to confidential information.”

Plante & Moran, PLLC

July 21, 2017
Chicago, Illinois

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July 21, 2017

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To Service Auditors:

We have, throughout the period December 1, 2016 to May 31, 2017 maintained effective controls over Tab Service Company's ("Tab Service" or the "Company") 1099 Processing System (1099PS) to provide reasonable assurance that:

- The system was protected against unauthorized access, use, modification to meet commitments and system requirements
- Processing is completed, valid, accurate, timely, and authorized to meet the entity's commitments and system requirements
- Information designated as confidential is protected to meet commitments and system requirements

To meet the criteria for the security, processing integrity, and confidentiality principles, based on the criteria set forth in TSP section 100, *Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (AICPA, Technical Practice Aids) effective, for periods ending on or after December 15, 2016 (applicable trust services criteria).

The applicable trust services criteria have been included in Section IV. Our attached description identifies the aspects of the system covered by our assertion.

- There were no new vendors' services added to the system during the period December 1, 2016 to May 31, 2017 and, therefore controls related to Confidentiality Criteria 1.4, " The entity obtains confidentiality agreements that are consistent with the entity's confidentiality system requirements from vendors and other third parties whose products and services are part of the system and have access to confidential information" did not operate.

Very truly yours,

TAB Service Company

Mr. Robert Lambert, Jr., President

Section III: Description of Tab Service Company's 1099 Processing System for the Period from December 1, 2016 to May 31, 2017

A. COMPANY OVERVIEW

Tab Service Company ("Tab Service") is a data processing service bureau based in Chicago, Illinois. Founded in 1960, Tab Service provides outsourced information management solutions to organizations that go outside for specific IT services.

Tab Service provides an array of data processing services:

- Document scanning
- Data entry
- Forms processing
- PDF scanning
- Litigation scanning
- 1095 processing
- 1098T processing
- 1099 processing
- Database management
- Data and media conversion
- Survey processing

Tax forms processing is a major line of business provided to customers. Tab Service is an approved IRS vendor for 1095, 1098, and 1099 filing and processing services and has a long history of serving the tax reporting needs of large organizations throughout the United States that are required to send tax forms to recipients and e-file with the IRS. Tab Service's 1099 Processing System (1099PS) gives customers a complete, end to end solution for 1095, 1098, and 1099 reporting and compliance, including 1099 printing, mailing and e-filing. It features built-in tools that ensure compliance with the latest government reporting requirements.

B. SCOPE OF THIS REPORT

Report Framework

This report is considered a Service Organization Control 3 (SOC 3) report under the internal control reporting framework established by the American Institute of Certified Public Accountants (AICPA).

Scope

The scope of the report is limited to Tab Service's 1099 Processing System (1099PS). This report covers the 1099PS described above and the suitability of the design of controls to meet the criteria for the security, processing integrity and confidentiality principles set forth in TSP section 100, *Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (AICPA, Technical Practice Aids), effective for periods ending on or after December 15, 2016 (applicable trust services criteria) throughout the period December 1, 2016 to May 31, 2017.

Subsequent Events

Management is not aware of any relevant events that occurred subsequent to May 31, 2017 through the date of the service auditor's report that would have a significant effect on management's assertion.

C. APPLICABLE TRUST SERVICES PRINCIPLES AND RELEVANT CRITERIA

The applicable trust services criteria have been included in Section IV. Tab Service's internal control process is designed to provide reasonable assurance for the achievement of reliable, effective operations and compliance with the criteria.

D. SUMMARY OF THE 1099 PROCESSING SYSTEM

The 1099PS consists of computer servers, network file systems, PCs, databases, and applications used for processing tax form data. Software is limited to the MS Office 2010 suite, MS Access and two applications listed below. Tab Service employees utilize MS Windows 7 on Company issued personal computers and the following applications:

- TSC1099 – Web-based application that was developed and maintained internally
- AccountAbility – Commercial tax form processing software that was developed by IDMS in Melville, New York

E. SUBSERVICE ORGANIZATIONS

Tab Service uses subservice organizations to outsource web application hosting, information technology functions, and email server hosting services. The subservice organization and services provided are described below:

XL.Net (XL) is a service provider that contracts with Tab Service for the outsourcing of Tab Service's information technology management and support. XL complements the Tab Service Staff and provides the following services:

- Remote Managed Perimeter Security Service
- Local and Remote Network and System Management
- Local and Remote Desktop Support
- Virus Protection Service
- Patch Management, Monitoring, and Distribution
- Email Security Services
- User Management

On a monthly basis, Tab service meets with XL to review user access rights on the systems. On a monthly basis, Tab service meets with XL to review information system status, trends in security related events, as well as to discuss potential areas of improvement on the network and systems.

The TSC 1099 web application is hosted by third party data center co-location service provider C7 Data center, Inc. (C7) Off-Site LLC (Off-Site). Tab service obtains and reviews the C7 and Off-Site service organization controls reports over the outsourced services.

Tab Service's email exchange server is hosted by Rackspace US, Inc. (Rackspace). The physical and environmental controls over the email exchange servers are managed by Rackspace while the configuration and management of the email exchange server is performed by XL.

F. OVERVIEW OF 1099PS AND ITS BOUNDARIES

Boundaries of the 1099PS

The boundaries of the 1099PS include applications (described above) and infrastructure that directly support the tax forms processing services provided by Tab Service to customers, including infrastructure, software, people, procedures, and data. Any applications, databases, and infrastructure that indirectly support the tax form processing services provided to customers are not included within the boundaries of 1099PS.

Infrastructure

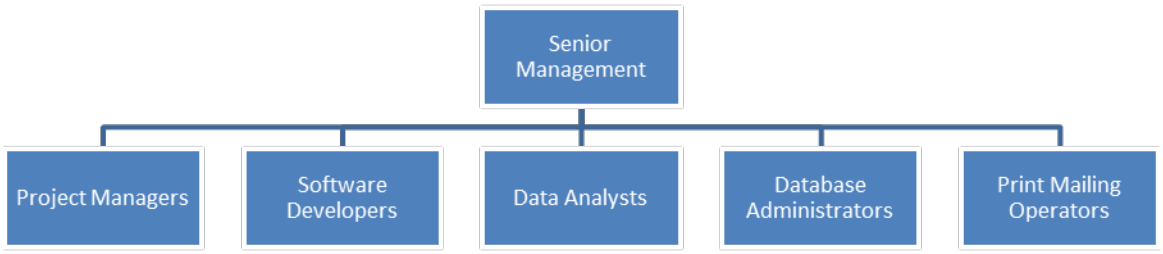
Tab Service's facilities are located in the city of Chicago. There are appropriate security controls limiting physical access to its office space and its on-site data center. Tab Service has several servers and work stations which utilize the Windows Operating System to manage security on the IT resources, applications and data. Tab Service utilizes firewalls and virus detection to monitor its network, application and data.

Software

The 1099PS is comprised of internally and third-party developed applications as described above. Tab Service separately maintains an information technology infrastructure and specific software applications to effectively operate and support 1099PS.

People

Management has developed an organizational structure within each operating unit, which sets forth roles and respective reporting lines for all employees. Each function within the organization aligns its roles to key processes and objectives. This structure is based on the size of the business and its operating activity.



Procedures

Information Security (IS) policies and procedures are formally documented by Senior Management to detail policies and procedures related to system security, confidentiality and processing integrity. The IS policies and procedures are reviewed, updated, and approved by management on a quarterly basis or as changes occur.

Data

The IS policies and procedures formally document policies for classifying data based on its criticality and sensitivity, as well as procedures detailing how classifications are used to define protection requirements, access rights, access restrictions, data retention, and data destruction requirements.

Data is collected from customers through a secure, SSL web-based connection. Tab Service maintains a robust and defined workflow ensuring complete and accurate processing. Tax forms are generated by 1099PS either electronically or paper-based form at the direction of the customer.

Confidentiality Commitments

As noted in management's description, there were no new vendors or contractors incorporated as part of the system during the period December 1, 2016 to May 31, 2017. Therefore, we did not perform any tests of the operating effectiveness of controls related to Confidentiality Criteria 1.4, "The entity obtains confidentiality agreements that are consistent with the entity's confidentiality system requirements from vendors and other third parties whose products and services are part of the system and have access to confidential information."

Section IV: Trust Service Principles and Criteria

Criteria Common to All Security, Processing Integrity and Confidentiality Principles

CC1.0	Common Criteria Related to Organization and Management
CC1.1	The entity has defined organizational structures, reporting lines, authorities, and responsibilities for the design, development, implementation, operation, maintenance and monitoring of the system enabling it to meet its commitments and requirements as they relate to security, processing integrity, or confidentiality.
CC1.2	Responsibility and accountability for designing, developing, implementing, operating, maintaining, monitoring, and approving the entity's system controls and other risk mitigation strategies are assigned to individuals within the entity with authority to ensure policies and other system requirements are effectively promulgated and implemented to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC1.3	The entity has established procedures to evaluate the competency of personnel responsible for designing, developing, implementing, operating, maintaining, and monitoring the system affecting security, processing integrity, or confidentiality and provides resources necessary for personnel to fulfill their responsibilities.
CC1.4	The entity has established workforce conduct standards, implemented workforce candidate background screening procedures, and conducts enforcement procedures to enable it to meet its commitments and system requirements as they relate to security, processing integrity, or confidentiality.

CC2.0	Common Criteria Related to Communications
CC2.1	Information regarding the design and operation of the system and its boundaries has been prepared and communicated to authorized internal and external users of the system to permit users to understand their role in the system and the results of system operation.
CC2.2	The entity's security, processing integrity, or confidentiality commitments are communicated to external users, as appropriate, and those commitments and the associated system requirements are communicated to internal users to enable them to carry out their responsibilities.
CC2.3	The responsibilities of internal and external users and others whose roles affect system operation are communicated to those parties.
CC2.4	Information necessary for designing, developing, implementing, operating, maintaining, and monitoring controls, relevant to the security, processing integrity, or confidentiality of the system, is provided to personnel to carry out their responsibilities.
CC2.5	Internal and external system users have been provided with information on how to report security, processing integrity, or confidentiality failures, incidents, concerns, and other complaints to appropriate personnel.
CC2.6	System changes that affect internal and external users' responsibilities or the entity's commitments and system requirements relevant to security, processing integrity, or confidentiality are communicated to those users in a timely manner.

CC3.0	Common Criteria Related to Risk Management and Design and Implementation of Controls
CC3.1	The entity (1) identifies potential threats that could impair system security, processing integrity, or confidentiality commitments and system requirements (including threats arising from the use of vendors and other third parties providing goods and services, as well as threats arising from customer personnel and others with access to the system); (2) analyzes the significance of risks associated with the identified threats; (3) determines mitigation strategies for those risks (including implementation of controls, assessment and monitoring of vendors and other third parties providing goods or services, as well as their activities, and other mitigation strategies); (4) identifies and assesses changes (for example, environmental, regulatory, and technological changes and results of the assessment and monitoring of controls) that could significantly affect the system of internal control; and (5) reassesses, and revises as necessary, risk assessments and mitigation strategies based on the identified changes.
CC3.2	The entity designs, develops, implements, and operates controls, including policies and procedures, to implement its risk mitigation strategy, reassesses the suitability of the design and implementation of control activities based on the operation and monitoring of those activities, and updates the controls, as necessary.

CC4.0	Common Criteria Related to Monitoring of Controls
CC4.1	The design and operating effectiveness of controls are periodically evaluated against the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality, and corrections and other necessary actions relating to identified deficiencies are taken in a timely manner.

CC5.0	Common Criteria Related to Logical and Physical Access Controls
CC5.1	Logical access security software, infrastructure, and architectures have been implemented to support (1) identification and authentication of authorized internal and external users; (2) restriction of authorized internal and external user access to system components, or portions thereof, authorized by management, including hardware, data, software, mobile devices, output, and offline elements; and (3) prevention and detection of unauthorized access to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC5.2	New internal and external users, whose access is administered by the entity, are registered and authorized prior to being issued system credentials and granted the ability to access the system to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality. For those users whose access is administered by the entity, user system credentials are removed when user access is no longer authorized.
CC5.3	Internal and external users are identified and authenticated when accessing the system components (for example, infrastructure, software, and data) to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC5.4	Access to data, software, functions, and other IT resources is authorized and modified or removed based on roles, responsibilities, or the system design and changes to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC5.5	Physical access to facilities housing the system (for example, data centers, backup media storage, and other sensitive locations, as well as sensitive system components within those locations) is restricted to authorized personnel to meet

	the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC5.6	Logical access security measures have been implemented to protect against security, processing integrity, or confidentiality threats from sources outside the boundaries of the system to meet the entity's commitments and system requirements.
CC5.7	The transmission, movement, and removal of information is restricted to authorized internal and external users and processes and is protected during transmission, movement, or removal, enabling the entity to meet its commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC5.8	Controls have been implemented to prevent or detect and act upon the introduction of unauthorized or malicious software to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.

CC6.0	**Common Criteria Related to System Operations**
CC6.1	Vulnerabilities of system components security, processing integrity, or confidentiality breaches and incidents due to malicious acts, natural disasters, or errors are identified, monitored, and evaluated, and countermeasures are designed, implemented, and operated to compensate for known and newly identified vulnerabilities to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC6.2	Security, processing integrity, or confidentiality incidents, including logical and physical security breaches, failures, and identified vulnerabilities, are identified and reported to appropriate personnel and acted on in accordance with established incident response procedures to meet the entity's commitments and system requirements.

CC7.0	**Common Criteria Related to Change Management**
CC7.1	The entity's commitments and system requirements, as they relate to security, processing integrity, or confidentiality are addressed during the system development lifecycle, including the authorization, design, acquisition, implementation, configuration, testing, modification, approval, and maintenance of system components.
CC7.2	Infrastructure, data, software, and policies and procedures are updated as necessary to remain consistent with the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC7.3	Change management processes are initiated when deficiencies in the design or operating effectiveness of controls are identified during system operation and are monitored to meet the entity's commitments and system requirements as they relate to security, processing integrity, or confidentiality.
CC7.4	Changes to system components are authorized, designed, developed, configured, documented, tested, approved, and implemented to meet the entity's security, processing integrity, or confidentiality commitments and system requirements.

Additional Criteria for Processing Integrity Principles

P1.0	Additional Criteria for Processing Integrity
PI1.1	Procedures exist to prevent, or detect and correct, processing errors to meet the entity's processing integrity commitments and system requirements.
PI1.2	System inputs are measured and recorded completely, accurately, and timely to meet the entity's processing integrity commitments and system requirements.
PI1.3	Data is processed completely, accurately, and timely as authorized to meet the entity's processing integrity commitments and system requirements.
PI1.4	Data is stored and maintained completely, accurately, and in a timely manner for its specified life span to meet the entity's processing integrity commitments and system requirements.
PI1.5	System output is complete, accurate, distributed, and retained to meet the entity's processing integrity commitments and system requirements.
PI1.6	Modification of data is authorized, other than routine transaction processing, is authorized and processed to meet with the entity's processing integrity commitments and system requirements.

Additional Criteria for Confidentiality Principles

C1.0	Additional Criteria for Confidentiality
C1.1	Confidential information is protected during the system design, development, testing, implementation, and change processes to meet the entity's confidentiality commitments and system requirements.
C1.2	Confidential information within the boundaries of the system is protected against unauthorized access, use, and disclosure during input, processing, retention, output, and disposition to meet the entity's confidentiality commitments and system requirements.
C1.3	Access to confidential information from outside the boundaries of the system and disclosure of confidential information is restricted to authorized parties to meet the entity's confidentiality commitments and system requirements.
C1.4	The entity obtains confidentiality commitments that are consistent with the entity's confidentiality system requirements from vendors and other third parties whose products and services are part of the system and have access to confidential information.
C1.5	Compliance with the entity's confidentiality commitments and system requirements by vendors and others third parties whose products and services are part of the system is assessed on a periodic and as-needed basis, and corrective action is taken, if necessary.
C1.6	Changes to the entity's confidentiality commitments and system requirements are communicated to internal and external users, vendors, and other third parties whose products and services are part of the system.
C1.7	The entity retains confidential information to meet the entity's confidentiality commitments and system requirements.
C1.8	The entity disposes of confidential information to meet the entity's confidentiality commitments and system requirements.