



## **1099Express.com, Inc.**

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McQueeney, TX 78123  
[www.1099Express.com](http://www.1099Express.com)

SOC 2 Type 1 Report  
For General Controls Supporting  
**SOFTWARE, E-FILING, TIN-MATCHING, PRINT & MAIL SERVICES**

Independent Service Auditor's Report on the Description of 1099Express' System  
and the Suitability of the Design of the Controls As of  
April 15, 2021

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## SECTION 1 – INDEPENDENT SERVICE AUDITOR’S REPORT

To Management of  
**1099Express.com, Inc.**  
**McQueeney, TX**

### Scope

We have examined the accompanying Description of 1099Express.com, Inc.’s (1099Express) system for Software, e-Filing, Tin-Matching, Print & Mail Services as of April 15, 2021 and the suitability of the design of controls described therein to achieve the related control objectives specified in the Description. The Description indicates that certain control objectives specified in the Description can be achieved only if certain complementary user controls contemplated in the design of 1099Express’ controls are suitably designed and operating effectively, along with related controls at 1099Express. We have not evaluated the suitability of the design or operating effectiveness of such complementary user controls.

### Service Organization’s Responsibilities

1099Express has provided the accompanying assertion in Section 2 regarding the fairness of the presentation of the description based on the Description Criteria and suitability of the design of the controls described therein to meet the applicable Trust Services Criteria. 1099Express is responsible for (1) preparing the description and the assertion; (2) the completeness, accuracy, and method of presentation of both the description and assertion; (3) providing the services covered by the description; (4) specifying the controls that meet the applicable Trust Services Criteria and stating them in the description; and (5) designing, implementing, and documenting the controls to meet the applicable Trust Services Criteria.

### Service Auditor’s Responsibilities

Our responsibility is to express an opinion on the

- Fairness of the presentation of the description based on the Description Criteria set forth in 1099Express’ assertion; and
- Suitability of the design of the controls to meet the applicable Trust Services Criteria and
- Suitability of the design of the controls based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, (1) the description is fairly presented based on the Description Criteria, and (2) the controls were suitably designed to meet the applicable Trust Services Criteria as of April 15, 2021.

Our examination involved performing procedures to obtain evidence and understanding about (1) the fairness of the presentation of the description based on the Description Criteria and (2) the suitability of the design of those controls to meet the applicable Trust Services Criteria. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed to meet the applicable Trust Services Criteria. Our examination also included evaluating the overall presentation of the description. 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, the projection to the future of any evaluation of the fairness of the presentation of the description or conclusions about the suitability of the design of the controls to meet the applicable Trust Services Criteria is subject to risks that the system may change or that controls at a service organization may become inadequate or fail.

#### Opinion

In our opinion, in all material respects, based on the Description Criteria identified in 1099Express' assertion and the applicable Trust Services Criteria,

- a) The Description fairly presents the system that was designed and implemented as of April 15, 2021.
- b) The controls stated in the description were suitably designed to provide reasonable assurance that 1099Express' service commitments and system requirements would be achieved based on the applicable Trust Services Criteria would be met if the controls operated effectively.

#### Restricted Use

This report and the description of controls thereof are intended solely for the information and use of 1099Express; user entities of 1099Express' Software, e-Filing, Tin-Matching, Print & Mail Services System; and prospective user entities, independent auditors and practitioners providing services to such user entities, and regulators who have sufficient knowledge and understanding of the following:

- The nature of the service provided by 1099Express
- How 1099Express' system interacts with user entities or other parties

- Internal control and its limitations
- The applicable Trust Services Criteria
- The risks that may threaten the achievement of the applicable Trust Services Criteria and how controls address those risks

This report is not intended to be and should not be used by anyone other than these specified parties.

## Merecka CPA Firm, LLC

**Merecka CPA Firm, LLC**

San Antonio, TX

April 26, 2021

*Assessment services provided by:*

**information  
exchange, inc.**

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## SECTION 2 – MANAGEMENT'S ASSERTION

We have prepared the description in the section titled, “1099Express’ Description of Its Software, e-Filing, Tin-Matching, Print & Mail Services System as of April 15, 2021,” based on the description criteria for a description of service organization’s system in DC section 200, *2018 Description Criteria for a Description of a Service Organization’s System in a SOC 2 Report* (AICPA, Description Criteria). The description is intended to provide users with information about the Software, e-Filing, Tin-Matching, Print & Mail Services System, particularly system controls intended to meet the suitability of the design of controls described to meet the criteria set forth in TSP section 100, *2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy* (AICPA, Trust Services Criteria). We confirm, to the best of our knowledge and belief, that

- a) the description presents 1099Express’ Software, e-Filing, Tin-Matching, Print & Mail Services system that was designed and implemented as of April 15, 2021, in accordance with the description criteria.
- b) the controls stated in the description were suitably designed as of April 15, 2021, to provide reasonable assurance that 1099Express’ service commitments and system requirements would be achieved based on the applicable trust services criteria, if its controls operated effectively as of that date.



*Bob Miner, CEO and Owner*

**1099Express.com, Inc.**

McQueeney, TX

April 26, 2021

### SECTION 3 – DESCRIPTION OF THE SYSTEM AND GENERAL CONTROLS

1099Express.com, Inc. (1099Express) is a privately-owned Software provider and SaaS company dedicated to helping businesses and individuals meet the IRS requirements for information reporting. 1099Express is headquartered in McQueeney, Texas and commenced operations in 2000 to provide customers with a scalable software, subsequently becoming a service provider in response to customer demand.

1099Express has devoted the past twenty years in the evolving 1099 software industry to develop software from the ground up with the singular focus to ensure customers have the competitive advantages available to the largest enterprise companies. With this aim 1099Express offers Software, e-Filing, Tin-Matching, Print & Mail services for any size company, small, medium, or large, who wish to outsource the very time-consuming task of information reporting to the IRS.

#### TYPES OF SERVICES PROVIDED

1099Express provides Software, e-Filing, Tin-Matching, Print & Mail Services at the facility located in McQueeney, TX. The Software, e-Filing, Tin-Matching, Print & Mail services are customizable to meet a variety of customer's needs. 1099Express works directly with customers to provide the software and services they need to complete their yearend information reporting requirements.

1099Express delivers these services through a proven architecture designed completely in house by a dedicated team of programmers. While 1099Express staff provides customers with exceptional customer service, each customer is responsible for the quality of their data and the timeliness of providing the data to the IRS.

1099Express provides customers with customized services as follows:

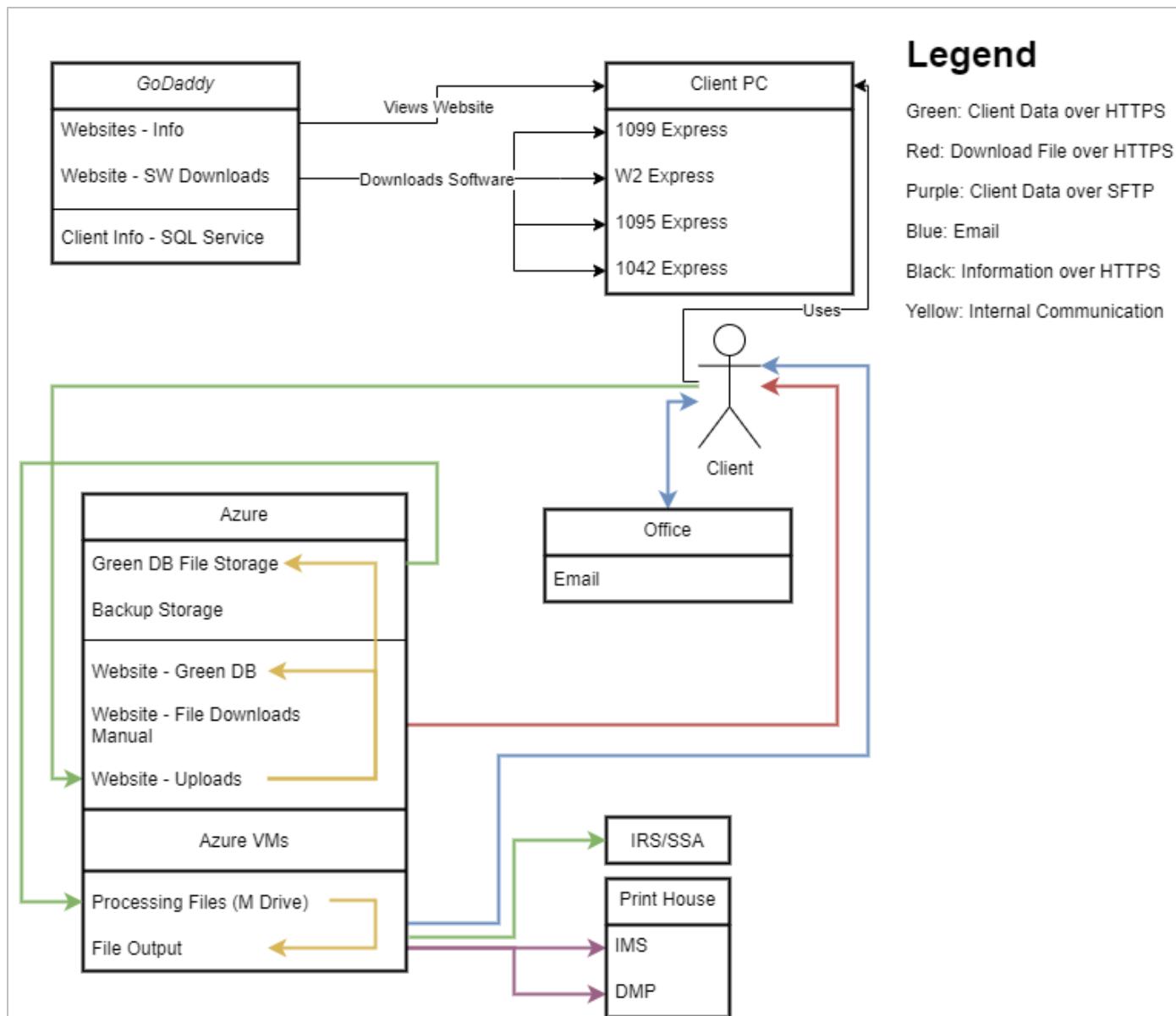
##### Software

- 1099 Express
- W2 Express
- 1042S Express
- 1095 Express

##### SaaS Services

- e-Filing
- Tin-Matching
- Print & Mail Services
- W9 Solicitations, including B Notices

Overview of business process flow is further described in the following diagram:



## PRINCIPAL SERVICE COMMITMENTS AND SYSTEM REQUIREMENTS

1099Express designs its processes and procedures related to the system to meet its objectives for its end users. The objectives are based on the security and availability commitments 1099Express makes to our end users. These commitments are documented and communicated in the Terms of Use and the Software License Agreement. Standard security and availability commitments include, but are not limited to, the following:

- Providing e-Filing, Tin-Matching, Print & Mail services within one day of successful file transmission to 1099Express (with deposits on file if necessary).
- 99.9% system availability and service uptime per month (including customer service application).
- Providing client support during established business hours via phone and email.
- Providing clients with extended support hours during tax season.
- Protecting client and consumer data using encryption technologies at rest and in transit. Sensitive data is considered confidential and is not shared with or sold to third-parties other than the receiving entities required for filing purposes.
- Ensuring 1099Express compliance with the applicable legal, statutory, and regulatory requirements.

1099Express establishes operational requirements that support the achievement of the security and availability commitments such as mitigating risks through an effective risk management program. Risk mitigation activities include screening procedures during the hiring process, annual security awareness training, preventative and detective control mechanisms around physical access to systems.

These requirements are communicated in 1099Express' corporate policies and procedures, system design information, and disclosures with customers. Standard operating procedures have been created based on these policies to ensure the execution of manual and automated processes required in the operation and development of the Software, e-Filing, Tin-Matching, Print & Mail services.

## COMPONENTS OF THE SYSTEM

### INFRASTRUCTURE AND SOFTWARE

The McQueeney, Texas office location houses all the operational and production staff. The production processing network is hosted in Azure using hosted services for applications and Windows Virtual Desktops for staff operations. The local office network is used for corporate functions and connecting to the Azure production network. MFA is utilized for all production remote connections. The local office is a secure environment, including cameras for continuous monitoring and visitor sign-in and escort. GoDaddy does not host any production processing of sensitive data and is only used for the corporate website and delivering downloaded software packages.

**Network Infrastructure and Software:**

The company has diagrams reflecting existing networks, configurations, and application transaction/data flows. Each represent identified hardware and software processes in place. These were reviewed with the IT staff to verify consistent accountability of data. Sensitive data is encrypted using AES-256 bit. For access control methods, Azure AD users and 2-factor (MS AD/RSA Token) authentication is used for Support Staff access.

Security appliances running 24/7 include various firewalls to monitor and control traffic, including intrusion and web application protection. Separate production, staging, and corporate networks are maintained for security and separation of duties. The operating systems are hardened based upon industry standards. Security control appliances and software are running 24/7. Windows Virtual Desktops are only available during business hours.

The following table summarizes critical components of the system:

<b>Microsoft Azure</b>	Cloud hosting for production processing (VNets, NSGs, IDS/IPS, data backups)
<b>MS Azure – Security Center/Defender</b>	Logging/monitoring, vulnerability scanning
<b>MS Azure – Windows Virtual Desktop</b>	Secure desktop environment for production processing
<b>MS Azure – App Service</b>	Web, API, database services (applications)
<b>MS Azure AD</b>	Centralized access control
<b>PRTG</b>	Logging, monitoring, patch management (corporate and GoDaddy websites)
<b>Norton</b>	Endpoint security (anti-virus)

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**PEOPLE**

1099Express' organization structure is a single office with clear authority defined and communicated within the organization for the effective operation of all services:

- Executive Management – Execution of business objectives, general oversight, and strategic planning
- Corporate Management – Risk and compliance, accounting, human resources
- Network Operations and Development – Application development, network systems design, information security
- Operations – Daily processing activities, client and consumer support

Technical Services are managed by 1099Express' Network Operations and Development team. Employees are trained in industry security practices and are continuously evaluating and monitoring infrastructure and software application security of the organization. Any changes to the production environment are required to follow the established change control process.

Executive management personnel maintain all documented automated and manual standard operating procedures involved in 1099Express' operations. Changes to policies and procedures are reviewed and discussed in annual risk meetings conducted with those charged with governance.

Any changes in security policies and procedures are communicated to employees through team meetings, during the annual security training or via email.

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## PROCEDURES

The company has set up appropriate policies and procedures to ensure information for both its employees and clients is documented appropriately. Changes to these procedures are performed annually and authorized by senior management. Changes that impact existing systems and hardware must be approved by 1099Express' management and must align with technology requirements. Formal IT policies and procedures exist that describe the firm's methodologies.

Procedures cover the following key life cycle areas:

- Selection, documentation, and implementation of security controls
- File processing and reporting
- Data classification and protection (data at rest, in motion, and output)
- IT security
- System monitoring for security and performance
- Change management procedures
- Incident response and disaster recovery

## File Processing Procedures

### *e-Filing*

e-Filing processes are managed from start to finish by the Operations ("Ops") Team. An internal tracking portal is used to ensure the successful processing of all client file uploads. The process is initiated when clients upload a file using the 1099Express web portal. The client will receive an upload number displayed on the screen as confirmation of a successful file upload.

The internal portal assigns the file to a batch based on file type and filing due date. As the batches are created, a tracking report is generated detailing each file and associated record count contained in that batch. The tracking report is used by the staff to manually record all processing information returned from the IRS for tracking and auditing purposes. The internal portal tracks the stages of the batch as it is processed by 1099Express.

A member of the Ops Team begins processing by logging into the internal portal and pulling a batch from a queue based on priority. The batch is then uploaded to the IRS portal known as IRS FIRE. If successful, the IRS portal generates a new filename with upload statistics, which are placed in the tracking report. The progress of the batch at the IRS is then tracked using the IRS FIRE website. The IRS FIRE system keeps a list of all files submitted and the status of those files.

The IRS record count is verified against the 1099Express record count. Once verified, the batch information is updated in the internal portal which changes the batch status to 'Finished'. Once a batch reaches the 'Finished' stage, the internal portal generates and sends an email to all clients with files in the batch to indicate the successful delivery of the files to the IRS.

The Ops Team continues to monitor the processing status via the IRS FIRE website and a daily email received from the IRS. The IRS waits 10 days before 'Releasing' the files, during which corrections can be submitted. If the IRS portal indicates a problem with a batch at any time, the Ops Team will notify the affected client(s) and work directly with each to correct and resubmit the files. Files are resubmitted as a 'Replacement' according to IRS guidelines.

#### *Printing*

Files sent to printers are tracked from the client upload through printing and mailing by the printer. The printer assigns a work order to each batch of files received and confirms the total count of the files and records submitted. Final printer reports are received from the printers and reconciled with the files and total records submitted. 1099Express includes 'tracking' records in each file using the company mailing address for quality assurance purposes. A new process was recently implemented to manually send a confirmation email to the client after verification of successful printing.

#### **Data Security Controls**

To mitigate any potential for loss or exploitation of sensitive data, 1099Express maintains a data sensitivity policy to determine whether the appropriate controls are in place for sensitive data. This policy classifies data into categories and specifies protection accordingly. Policies have been implemented that describe how to handle and store private data to ensure it is kept secure. The Network Operations team conducts vulnerability assessments of relevant data to ensure compliance with policy points.

#### **Physical Security Controls**

Production operations running in Azure are covered by Azure's security and availability commitments made in their SOC 2 and PCI reports.

The office environment is in McQueeney, TX. We utilize on site security system to monitor ingress and egress of all personnel and it is fully monitored by SimpliSafe when locked down. Visitors must sign-in and are escorted while in the office.

- Standards for securing specified types of locations and assets
- Lock and physical security device standards
- Background investigation of employees, prospective employees, and vendor employees
- Removal of access by terminated employees/vendor personnel
- Investigation of physical security violations

The current UPS and battery backup have the load capacity to run the production environment until all equipment can be safely powered down. If needed, employees are capable of performing duties at any off-site location with internet access allowing them to connect to the Azure environment.

### **Logical Security Controls and Personnel Security**

1099Express has implemented an information security management program that requires each employee with access to information to be a knowledgeable systems user; to sign off each year acknowledging the annual security policy, to adhere to defined rules for access to account data, and to protect the privacy of both corporate and data information.

1099Express uses role-based security architecture, which requires unique IDs and passwords that change at least every 90 days, are complex in structure, and are terminated immediately upon change to access requirements. Azure AD provides a unified access control system and provides alerts on security related events.

Upon hire, employees are assigned to a position in the HR management system. If granted by management, employees and approved vendor personnel sign on to the 1099Express network using an Azure AD user ID and password. New employees are required to undergo a background check prior to commencing employment with 1099Express. In addition, new employees are required to read and acknowledge receipt of 1099Express' information security and employee policies as contained in its employee handbook.

Segregation of duties applies when there is a conflict of duties or overlap of functions for business requirements. Based upon "need to know" rules, management grants employees' access to specific systems and documents this access in writing.

Security policies are communicated in the form of system access to all published rules and policies. 1099Express employees receive annual security awareness training, which address a variety of topics related to security and availability, including reporting incidents, email communications, customer responsibilities and enacting the incident response plan.

### **System Monitoring**

1099Express uses a variety of system monitoring utilities to identify and detect potential security threats and incidents. Such utilities include firewall alerts, device monitoring logs, and monitoring of system traffic and performance.

Ongoing oversight and independent reviews are conducted annually. Vulnerability coverage exists and is documented, such as IDS/IPS, anti-virus, file integrity monitoring and the use of approved external network scanning vendors (Clone Systems). Executive acknowledgement enforces these practices through ongoing verification.

### **Change Management**

The Software Development Life Cycle (SDLC) and Product Release policies provide the written change management procedures to guide the change management process. All changes are manually tracked using change management forms which are kept in a binder. Work items are created by managers and coordinated with customers and internal stakeholders. These work items have their requirements refined and specifications developed during discovery, then they are groomed by the Development team into deliverable components. These are worked, code reviewed, and tested by the engineers. These items are then deployed to a pre-production environment where they are further evaluated for correctness.

Once approved for release by senior management, they are promoted to the production environment. All changes management forms include documentation on client impact, back-out procedures, testing, and approvals.

### **Incident Response and Disaster Recovery**

Documented escalation procedures are in place to guide users in identifying and reporting failures, incidents, concerns, and other complaints. The policies and procedures are available and communicated to internal personnel. Security and availability incidents are documented manually, including response procedures followed, final resolution, and post incident analysis. A management meeting is held on a quarterly basis to discuss incidents and corrective measures to ensure that incidents are resolved.

1099Express has developed a Business Continuity Plan (BCP), which is designed to provide an overall management process as well as the underlying foundational structure that enabled the level of response and recovery to an incident and potential crisis. The BCP identifies the organization response structure and provides guidance on the activities that may occur to assess the situation, decide whether to activate the BCP and manage and monitor response activities throughout the life cycle of the crisis. The BCP is available to personnel and is tested periodically.

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## **DATA**

Customer data is managed, processed, and stored in accordance with industry accepted data protection guidelines. Approvals for access to card data are limited to employees with documented background checks. Sensitive data is always stored as unreadable using encryption. Transmitting or receiving sensitive data with partners is encrypted. Retention and purge policies are enforced for all stored data.

Data utilized by 1099Express includes, but is not limited to:

- Consumer personally identifiable information (PII)

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## BOUNDARIES OF THE SYSTEM

There are no activities performed outside of the definition of the system.

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## THIRD PARTY ACCESS

There are no third parties which require access to the system.

## INCIDENT DISCLOSURE

There have been no significant incidents that would have affected the Software, e-Filing, Tin-Matching, Print & Mail Services service commitments.

## TRUST SERVICES CRITERIA AND RELATED CONTROL ACTIVITIES

### **Integration with Risk Assessment**

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

### **Selection and Development of Control Activities**

Control activities are a part of the process by which 1099Express strives to achieve its business objectives. 1099Express has applied a risk management approach to the organization in order to develop and implement control activities. After relevant risks have been identified and evaluated, controls are established, implemented, monitored, reviewed, and improved when necessary, to meet the overall objectives of the organization.

### **Reporting Deficiencies**

Deficiencies in management's internal control system may surface from many sources, including 1099Express' ongoing monitoring procedures, separate evaluations of the internal control system and external parties. Management has developed protocols to help ensure findings of internal control deficiencies are reported to the individual responsible for the function or activity involved, who is in the position to take corrective action, and management.

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## CONTROL ENVIRONMENT

1099Express provides accurate and timely information to the client's decision processes. The company promotes this dedication through its control environment, which sets the tone of the organization and influences the actions of its employees by providing discipline and structure. The environment supports controls that are suitably:

- Designed to meet the relevant controls that assets are protected from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and client instructions.
- Management has established and maintains controls designed to monitor compliance with established policies and procedures.

### Integrity and Ethical Values

The effectiveness of controls cannot rise above the integrity and ethical values of the people who create, administer, and monitor them. Integrity and ethical values are essential elements of 1099Express' control environment, affecting the design, administration, and monitoring of other components. Integrity and ethical behavior are the product of 1099Express' ethical and behavioral standards, how they are communicated, and how they are reinforced in daily practice. These standards include management's actions to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts.

They also include the communication of integrity, ethical values and behavioral standards to personnel through policy statements and codes of conduct, and by personal example.

Specific control activities 1099Express has implemented include:

- All employees attend annual security awareness training which includes their responsibility to protect sensitive data and treat all data as confidential.
- All employees are required to sign an acknowledgment form annually indicating they have read and understand the company's policies.
- Periodic management meetings to discuss major initiatives and issues that affect the business, service delivery, system performance, and related Trust Services Criteria.
- Produce and enforce an appropriate policies and procedures which communicate the standards by which 1099Express' services will be delivered as well as customer responsibilities.
- Development and adoption of an employee handbook containing rules of conduct and progressive disciplinary procedures to communicate ethical standards to its employees.

- Contractors are required to sign an acknowledgment form indicating they have read and understand the company's policies.

### **The Board of Directors**

The company is privately held and the owner and spouse make up the Board of Directors. While the business and affairs of 1099Express are managed primarily by the owner, the Board of Directors do meet annually to discuss the business of 1099Express and meet more frequently if required to act with respect to decisions as defined in the Bylaws. Both individuals have had careers in a variety of business sectors and are capable of setting the tone and direction for the company and providing input and advice in the specialized areas represented.

### **Organizational Structure and Assignment of Authority and Responsibility**

1099Express organizational structure provides the framework within which activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. Establishing a relevant organizational structure includes considering key areas of authority and responsibility. An organizational structure has been developed by 1099Express and is based, in part, on the size and the nature of its activities.

1099Express' assignment of authority and responsibility activities include evaluations of how authority and responsibility for operating activities are assigned and how reporting relationships and authorization hierarchies are established. These activities also include establishing policies and procedures related to appropriate business practices, knowledge, experience of key personnel and resources available for carrying out duties and responsibilities. In addition, these activities include communication of policies and procedures to ensure personnel understand the entity's objectives, understand how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable. An organizational chart is in place to communicate key areas of authority and responsibility.

### **Commitment to Competence**

1099Express' defines competence as the knowledge and skills necessary to accomplish tasks that define employees' roles and responsibilities. 1099Express' commitment to competence includes consideration of the competence levels for positions within the organization and how those levels translate into the requisite skills and knowledge.

Specific control activities that 1099Express has implemented in this area are described below:

- Documented position requirements detail the competence levels, required skills, and knowledge levels.
- Employees receive training to ensure ongoing technical or professional competence.
- Employee performance is reviewed by management annually, including adherence with the employee handbook and code of conduct.

### **Human Resources Policies and Practices**

Managers within the respective functional groups of the organization determine the need for additional resources and submit formal job requisitions to senior management for approval. HR screens potential candidates and sends selected resumes to the respective managers. The managers review documentation, select candidates, and inform HR of individuals with whom they wish to schedule interviews. Tasks assigned include:

- The relevant manager and HR resources conduct interviews and submit potential offers to the appropriate authority within the organization for approval.
- The managers review documentation, select candidates, and inform HR of individuals with whom they wish to schedule interviews.

Specific control activities 1099Express has implemented for employee onboarding include the following:

- A new hire checklist that is completed for all new employees; the checklist is used to ensure all required onboarding activities have been completed.
- On boarding activities include a background check, completion of an employment agreement, reading and acknowledging receipt of the employee handbook and company policies.
- New employees are required to complete security awareness training, including their responsibility to protect sensitive data and treat all data as confidential.
- Employee termination procedures are in place to guide the termination process and are documented in a termination checklist.

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## RISK ASSESSMENT

The process of identifying, assessing, and managing risks is a critical component of 1099Express' internal control system. The 1099Express' risk assessment process focuses on supporting management decisions and responding to potential threats by assessing risks and identifying important decision factors. 1099Express senior management oversees risk management ownership, accountability, and is involved in risk identification process. Management identifies elements of business risk including threats, vulnerabilities, safeguards, and the likelihood of a threat, to determine the actions to be taken.

### Objective Setting

Because control objectives relate to risks that controls seek to mitigate, management thoughtfully identified control objectives when designing, implementing, and documenting their system. Objective setting enables management to identify measurement criteria for performance, with focus on key success factors.

1099Express has established certain broad categories including:

- **Strategic Objectives** — these pertain to the high-level organizational goals and the alignment of those goals to support the overall business
- **Operations Objectives** — these pertain to effectiveness and efficiency of the entity's operations, including performance and certainty of services
- **Reporting Objectives** — these pertain to reliable reporting analytics based on client success manager requirements

- **Compliance Objectives** — these pertain to adherence to laws and regulations to which the entity is subject

#### Risks Identification

On an ongoing basis, 1099Express' executive and management personnel review risks that may threaten its service commitments and system requirements related to security and availability. Security and operational risks are assessed through monthly meetings, information obtained from log reviews, change management requests, and during an annual IT risk assessment in conjunction with a company-wide risk assessment.

1099Express' executive and management personnel consider developments and changes in technology, the impact of any applicable laws and regulations, and changes in the environment that may affect the system's ability to deliver stated service commitments. Changes in the operating environment are assessed to determine whether changes in control activities are necessary to respond to newly identified threats and/or vulnerabilities. When changes are made to control activities, policy and procedures documents are updated and communicated to internal and external parties, as necessary.

1099Express' management considers risks that can arise from external and internal sources including:

- Information technology and security related threats
- Loss or compromise of sensitive data
- Changing needs of customers
- Competition in the industry
- New regulatory requirements or legislation that may require a change in operating policies and/or strategies
- Changing leadership and personnel; lack of redundancy and knowledge
- Natural disasters or weather-related incidents that could lead to changes in operations
- Economic changes
- Maintaining or replacing equipment
- Relationships with vendors, business partners and other parties

1099Express' methodology for analyzing risks varies, largely because many risks are difficult to quantify. The firm has created a daily process to detect and notify management of any irregularities or delays encountered. These are verified by senior management accountable for risk and compliance activities. The risk identification and assessment of technical issues is handled as part of the daily alert systems that generates emails and system messages.

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## INFORMATION AND COMMUNICATION SYSTEMS

Information and communication are integral components of 1099Express' system of internal controls. This involves the process of identifying, capturing, and exchanging information in the appropriate form and time frame necessary to conduct, manage, and control 1099Express' operations. Senior management is involved with day-to-day operations and can provide personnel with an understanding of their individual roles and responsibilities pertaining to internal controls. The firm confirmed the use of at least weekly meetings to discuss any and all events.

Communication protocols have been established by policy to notify customers of system events to provide customers with enough notice of any potential impact. System changes are performed at low-peak hours to minimize any impact to customers.

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## MONITORING CONTROLS

1099Express' management performs monitoring activities in order to continuously assess the quality of the internal control environment over time. Monitoring activities are used to initiate corrective action through department meetings, client conference calls, and informal notifications. Management performs monitoring activities on a continuous basis and takes the necessary corrective actions as required to correct deviations from company's policies and procedures. Employee activity and adherence to established policies and procedures is also monitored.

Management's close involvement in 1099Express' operations assist in identifying significant variances from expectations as it relates to internal controls. Management evaluates facts and circumstances related to any suspected control breakdown. A decision to address a control weakness is based on whether the incident was isolated or requires a change in 1099Express' procedures or personnel. The goal of this process is to ensure legal compliance and to maximize the performance of 1099Express' personnel.

Examples of 1099Express' ongoing monitoring activities include the following:

- Many tasks have been quantified on a spreadsheet defined as a 'Checklist' of ongoing activities. These vary from detective controls to testing controls such as external and internal scanning for vulnerabilities.
- Training, planning sessions, and other meetings with staff provide important feedback to management on whether controls are effective.
- Personnel are briefed on organizational policy statements and codes of conduct to communicate entity values.
- Employee activity and adherence to established policies and procedures.

## Vulnerability Scanning

1099Express uses a third-party vendor application to perform security vulnerability assessments on its infrastructure and software. Internal and external vulnerability scans rely on industry accepted tools to discover vulnerabilities and are performed on a quarterly basis or upon implementing significant changes to the system. Results are documented and reviewed by management. Discovered deficiencies are remediated and retested to confirm.

## COMPLEMENTARY USER ENTITY CONTROLS

1099Express' Software, e-Filing, Tin-Matching, Print & Mail Services are designed with the assumption that certain controls will be implemented by user entities. Such controls are called complementary user entity controls. It is not feasible for all the control objectives related to 1099Express' services to be solely achieved by 1099Express' control procedures. Accordingly, user entities, in conjunction with the services, should establish their own internal controls or procedures to complement those of 1099Express.

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

### Complementary User Entity Controls:

- User entities are responsible for understanding and complying with the accepted 'Terms of Use' and 'Software License Agreement' provided by 1099Express.
- User entities are responsible for ensuring the accuracy and completeness of data provided, including duplication of submissions at the record and/or file level.
- User entities are responsible for published deadlines for file submissions found on the 1099Express website.
- User entities are responsible for securing any sensitive data stored, received, and/or transmitted within their systems according to industry standards.
- User entities are responsible for developing their own disaster recovery and business continuity plans that address their ability to access or utilize 1099Express services.
- User entities are responsible for notifying all parties of changes made to technical or administrative contact information in a timely manner.
- User entities are responsible for privacy compliance related to their consumers/employees. All information provided to 1099Express is treated as confidential.

## SUBSERVICE ORGANIZATIONS

1099Express is dependent on the following subservice organizations to deliver its Software, e-Filing, Tin-Matching, Print & Mail Services:

USIO Output Solutions (fka IMS)	Print & Mail Provider
DMP BPO	Print & Mail Provider
IRS	e-Filing, TIN Checking
SSA	e-Filing
Nelco	States e-Filing

## TRUST SERVICES CRITERIA EXCLUSIONS

Privacy was excluded from this report since the consumer (employee) relationship is between 1099Express' client and the employee. All data provided by the client is treated as confidential and sensitive data is also protected in transit and at rest.

### Review Team:

John Pullin, QSA, CISA, CISM, CTGA – Main assessor, Information Exchange, Inc.

Christy Merecka, CPA – Provides auditing oversight, per AICPA guidelines

Jose Gonzales – Technical consultant and reporting/documentation QA

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