

Namely, Inc.

Payroll Processing Services System

## System and Organization Controls Report

Report on Controls Placed in Operation and  
Tests of Operating Effectiveness

For the Period  
October 1, 2021, to September 30, 2022

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## **I. Independent Service Auditor's Report**

To Management of Namely, Inc.:

### *Scope*

We have examined Namely, Inc.'s description of its payroll processing services system titled, "Namely, Inc.'s Description of its Payroll Processing Services System," for processing user entities' transactions throughout the period October 1, 2021, to September 30, 2022, (the "description") and the suitability of the design and operating effectiveness of controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "Namely, Inc.'s Assertion" (the "assertion"). The controls and control objectives included in the description are those that management of Namely, Inc. believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the payroll processing services system that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V, "Other Information Provided by Namely, Inc.," is presented by management of Namely, Inc. to provide additional information and is not a part of Namely, Inc.'s description of its payroll processing services system made available to user entities during the period October 1, 2021, to September 30, 2022. Information about Namely, Inc.'s business continuity and disaster recovery processes has not been subjected to the procedures applied in the examination of the description of the payroll processing services system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the payroll processing services system, and accordingly we express no opinion on it.

Namely, Inc. uses subservice organizations to provide hosting services, including logical security, change management, backups and physical security, and email and file sharing services. The description includes only the control objectives and related controls of Namely, Inc. and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by Namely, Inc. can be achieved only if complementary subservice organization controls assumed in the design of Namely, Inc.'s controls are suitably designed and operating effectively, along with the related controls at Namely, Inc. Our examination did not extend to controls of the subservice organizations, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Namely, Inc.'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.

### *Service Organization's Responsibilities*

In Section II of this report, Namely, Inc. has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Namely, Inc. is responsible for preparing the description and 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 stated in the assertion, and designing, implementing and documenting controls that are suitably designed and operating effectively 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 the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, 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 October 1, 2021, to September 30, 2022. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the controls involves:

- Performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion
- 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
- Testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved
- Evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

### *Inherent Limitations*

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

### *Description of Tests of Controls*

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

### *Opinion*

In our opinion, in all material respects, based on the criteria described in Namely, Inc.'s assertion:

- The description fairly presents the payroll processing services system that was designed and implemented throughout the period October 1, 2021, to September 30, 2022.
- The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2021, to September 30, 2022, and subservice organizations and user entities applied the complementary controls assumed in the design of Namely, Inc.'s controls throughout the period October 1, 2021, to September 30, 2022.
- The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period October 1, 2021, to September 30, 2022, if complementary subservice organization and user entity controls assumed in the design of Namely, Inc.'s controls operated effectively throughout the period October 1, 2021, to September 30, 2022.

### *Restricted Use*

This report, including the description of tests of controls and results thereof in Section IV of this report, is intended solely for the information and use of management of Namely, Inc., user entities of Namely, Inc.'s payroll processing services system during some or all of the period October 1, 2021, to September 30, 2022, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than these specified parties.

***RSM US LLP***

New York, New York  
February 6, 2023

## II. Namely, Inc.'s Assertion

We have prepared the description of Namely, Inc.'s payroll processing services system entitled, "Namely, Inc.'s Description of its Payroll Processing Services System" for processing user entities' transactions throughout the period October 1, 2021, to September 30, 2022, (the description) for user entities of the system during some or all of the period October 1, 2021, to September 30, 2022, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by subservice organizations and user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements.

Namely, Inc. uses subservice organizations to provide hosting services, including logical security, change management, backups and physical security, and email and file sharing services. The description includes only the control objectives and related controls of the payroll processing services system and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls. The description does not extend to controls of the subservice organizations.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Namely, Inc.'s controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.

We confirm, to the best of our knowledge and belief, that:

- The description fairly presents the payroll processing services system made available to user entities of the system during some or all of the period October 1, 2021, to September 30, 2022, for processing their transactions as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:
  - Presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, if applicable:
    - The types of services provided, including, as appropriate, the classes of transactions processed
    - The procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary and transferred to the reports and other information prepared for user entities of the system
    - The information used in the performance of procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities
    - How the system captures and addresses significant events and conditions, other than transactions
    - The process used to prepare reports and other information for user entities
    - Services performed by a subservice organization, if any, including whether the carve-out method or inclusive method has been used in relation to them

- The specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls
- Other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities and monitoring activities that are relevant to the services provided
- Includes relevant details of changes to the service organization's system during the period covered by the description
- Does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the payroll processing services system that each individual user entity of the system and its auditor may consider important in its own particular environment
- The controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period October 1, 2021, to September 30, 2022, to achieve those control objectives if subservice organizations and user entities applied the complementary controls assumed in the design of Namely, Inc.'s controls throughout the period October 1, 2021, to September 30, 2022. The criteria we used in making this assertion were that:
  - The risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization.
  - 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.
  - The controls were consistently applied as designed; including whether manual controls were applied by individuals who have the appropriate competence and authority.

### **III. Namely, Inc.'s Description of its Payroll Processing Services System**

#### **Overview of Operations**

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##### ***Background***

Namely, Inc. was founded in 2012 as an end-to-end HR, payroll and benefits administration service organization for growing companies. Namely supports companies across many industries, including media, technology, commerce and professional services.

##### ***Overview of Services Provided***

Service offerings include payroll, benefits administration, employee benefits brokerage and a robust human resources information system (HRIS) platform, which features performance management, time-off tracking (time management), goal setting, team planning, reporting and more. In addition, Namely's clients receive tailored support from the service team, which is available for ongoing support and training on each of Namely's features.

##### **Human Resources Information System**

Namely's core human resources software is built around configurable employee profiles. These include unlimited custom fields that can be reported on in Namely's real-time reporting engine. Employee profiles can be tied to task lists, approval processes, company or team organization charts, and the company calendar, which shows important due dates, time-off requests and employees who are out of the office. Namely's HR platform is integrated with its payroll platform for simplified information collection and reporting. This report does not include HRIS services.

##### **Payroll**

Namely offers payroll processing services that are integrated into its HRIS and performance management platform. Organizations can manage the entire payroll process and address payroll tax compliance concerns via a modern and intuitive interface. As an optional service, Namely's clients can reduce wage attachment complexity by ensuring that garnishment processing is directed to the appropriate agency. Clients receive personalized support from account managers and the payroll service team throughout the life of their account.

##### **Benefits Administration**

Namely offers a single, unified solution for benefits and payroll. Benefits flow directly into payroll during the payroll process. In addition, clients have the option to work with a broker of their choice or select Namely as their employee benefits broker. This report does not include benefits administration services.

##### ***Scope of Report***

The scope of this report covers Namely's payroll processing services system that interfaces with Namely's HRIS system.

Namely partners with the following subservice organizations to support Namely's payroll processing services system: (i) Amazon Web Services, Inc. (AWS) to provide hosting services, including logical security, change management, backups and physical security; (ii) Automatic Data Processing, Inc. (ADP) to provide application hosting services, including logical security, change management and physical security; (iii) National Payment Corporation (NPC) to provide application hosting services, including logical security, change management and physical security; and (iv) Google, Inc. (Google) to provide email and file sharing (Google Drive). The scope of this report includes only the control objectives and



related controls of Namely and excludes the control objectives and related controls at these subservice organizations. Controls performed by subservice organizations are not in scope for this report. The control activities expected to be implemented to meet the applicable control objectives are provided in the Complementary Subservice Organization Controls section of this report.

As the production environment is hosted at the subservice organizations' data centers of AWS, ADP and NPC, the physical security controls to restrict access to the production environment are the responsibility of AWS, ADP and NPC, respectively. As such, physical access controls are not covered in this report.

### **Infrastructure and Software**

The following table lists the system software and infrastructure used to support the services covered within the scope of this report:

<b>Application/System</b>	<b>Business Process</b>	<b>Purchased or Developed</b>	<b>Platform/ Operating System</b>	<b>Data Environment</b>
Namely Payroll	Namely payroll and tax engine.	Developed	Microsoft Windows Server 2016	SQL Server 2017
Namely HRIS	Namely HRIS application.	Developed	Amazon Linux	Amazon Relational Database Service

The additional applications/utilities listed below are mentioned in Sections III and IV of this report and may support some facets of the delivery of the services described. These utilities are covered within the scope of the report to the extent that they support achieving the control objectives and were not subjected to IT general controls testing.

<b>Application</b>	<b>Business Purpose</b>	<b>Data Environment</b>
Turnstile	Namely-built access control solution for namely internal tools	Vendor-hosted
Okta	SSO/SAML solution for supported tools	Vendor-hosted
Koala	Namely-built tool for running ad hoc database queries	Vendor-hosted
1Password	Password management tool	Vendor-hosted
Jumpcloud	Leveraged for access to Windows servers	Vendor-hosted
Jira	Ticketing and project management system	Vendor-hosted
Jenkins	Deployment tool	Vendor-hosted
ADP MasterTax	Payroll tax reconciliation and filing services	Vendor-hosted
NPC	Responsible for conducting the direct deposit transactions and collecting and remitting taxes to Namely for payment to the states/agencies	Vendor-hosted
Salesforce	Ticketing system for client-submitted requests	Vendor-hosted
Symmetry Tax Engine	Research engine used to retrieve tax rates	Vendor-hosted

## **Relevant Aspects of the Control Environment, Risk Assessment Process, Information and Communication Systems, and Monitoring Controls**

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### ***Control Environment***

Namely is committed to maintaining an organizational structure that supports an effective control environment, including the proper segregation of job responsibilities, assignment of job functions commensurate with skill, properly defined roles and responsibilities, employment of experienced staff, internal quality control processes, management oversight and proactive fraud detection strategies.

### **Governance and Administration**

The board of directors and management, which are led by the chief executive officer, set the tone for the overall control environment. This environment is supported by the many corporate governance initiatives in place throughout the organization.

Namely management places a consistent emphasis on maintaining comprehensive, relevant internal controls and on communicating and maintaining ethical values throughout the organization. Core values and standards are communicated to employees through the new hire orientation, policy statements and guidelines, and regular company communications. Key Namely functional roles are described in the following paragraphs.

### **Organizational Structure**

One of Namely's core values is "drive," reflecting a culture where employees work across departments and teams to put clients and partners first. Namely has four core areas, most of which are composed of two or more departments. Namely's organization is composed of the following groups, which are governed by Namely's executive team.

### **Business Functions**

The business functions group encompasses finance, people operations and legal and compliance. They are responsible for ensuring that Namely's core functions are running smoothly.

- Finance is responsible for maintaining accurate accounting records, auditing, budgeting and treasury operations related to both the company and client funds, paying vendors and invoicing.
- Legal and compliance is responsible for providing compliance advice internally, negotiating and reviewing contracts, serving as internal counsel as needed and reducing risk by recommending and implementing corporate best practices and procedures.
- People operations is responsible for recruiting, compensation, benefits, talent analytics, learning and development, facilities and experience.

### **Go To Market**

The go to market group is responsible for the external presence of the company and includes marketing, sales and benefits.

- Marketing is responsible for creating brand awareness, generating demand, enabling the sales team and managing communications.
- Sales is responsible for new customer qualification, acquisition and ensuring a smooth transition to implementation/client success. This team works with prospective customers to help evaluate the Namely platform based on their specific use case along with current and future business needs.

**Brokerage**

- Benefits brokerage is responsible for consulting, advising and advocating on behalf of Namely's client's benefits programs. This includes year-round servicing, troubleshooting and strategic planning around employee benefits design.

**Client Operations**

The client operations group is responsible for managing and supporting Namely's clients.

- The client service and experience teams are responsible for client implementations, professional services consulting, managed services, and ongoing client support and success.
- Payroll and tax operations' mission is to provide payroll services to customers. This includes payroll funding, direct deposit procurement, wage attachments, payroll tax management and net payroll check services. The team serves as the back office for client success by providing enhanced Level 3 support to customers with more complex payroll and tax matters.

**Labs**

The product and engineering group is responsible for building and supporting the Namely platform, driving both function and design.

- The technology team is responsible for planning, developing, testing and releasing new functionality to the Namely platform and IT Infrastructure. It also works to help ensure Namely platform's security, availability and performance.
- The product team is responsible for the design, strategy and future roadmap of the product. The team works closely with other cross-functional departments, like marketing and client success.

**Staffing Management**

Namely management has established job descriptions that define the responsibilities and qualification standards of employees. Employees must have the required education and experience, as stated in documented job descriptions. The job descriptions describe employees' defined roles. These job descriptions, along with the corresponding organizational structure and authorized systems access, establish segregation of duties among employees.

As part of the hiring process and requirement, Namely performs a background and reference check on candidates prior to employment. Annually, employees receive a performance review to measure their competency. Annual performance reviews for employees are monitored by department managers, which include discussions of goals and compensation.

**Communication and Enforcement of Integrity and Ethical Values**

Namely is committed to conducting its business with high standards of ethics and integrity and in accordance with all laws and regulations that apply to Namely and in accordance with Namely's Code of Conduct policy. It is Namely's policy to identify and prevent the occurrence of unethical or unlawful behavior, including conflicts of interest; to halt such behavior as soon as reasonably possible after discovery; to discipline personnel who violate company policies, including individuals who fail in their responsibilities to detect a violation; and to implement any changes in policies or procedures to prevent recurrences of a violation. Namely has established a whistleblower hotline for employees to report security, fraud or personnel conduct complaints anonymously.

## ***Risk Assessment Process***

Namely conducts ongoing risk assessments through regular interaction between management and operations personnel. This process requires management to continually evaluate daily operations for potential risks within their functional areas. Risk assessments also extend to application development and subservice.

Namely also has outlined a vendor risk management program that includes procedures related to vendor risk assessments, selection and classification. The vendor risk management program is reviewed annually. Annually, critical vendors with access to customer data are reviewed to ensure that they continue to meet Namely's security commitments. The annual review consists of the vendor's independent attestation reports, as applicable, and other relevant documentation as needed.

## ***Information and Communication Systems***

Namely has implemented various methods of communication to help ensure that employees understand their individual roles and responsibilities as they relate to the various functions and services that the company provides. These methods include acknowledgement of the policies and procedures, annual training and the use of email to communicate time-sensitive messages and information.

## ***Employee Communications***

Information and communication are integral to Namely's internal processes. Namely maintains information and communication processes that facilitate a clear dialogue between management and the staff that enable employees to fulfill their job responsibilities and functions. These processes include regular meetings between management and the staff, routine job training, new hire orientation and annual staff performance evaluations.

## ***Customer Communications***

Namely hosts a status page (<https://status.namely.com>) that clients and partners can subscribe to for automated, real-time updates. In addition to Namely's status page, banners are displayed in the web application for clients as a reminder of scheduled downtime, when applicable. The client success team also proactively manages client communications with routine engagements, including calls and email notifications, to keep clients abreast of important information and updates.

Namely creates processes in accordance with its client-centric philosophy. Account managers utilize client support tracking software and a workflow process. The process captures support matters from creation to closure and works to help assure timely response and status monitoring of support activities conducted on behalf of, and in collaboration with, clients and partners.

## ***Monitoring Controls***

Namely management and supervisory personnel monitor the quality of internal processes and transactions as a part of their normal activities. The monitoring function is performed through the preparation of monthly financial statements, detailed ledger reporting and daily cash reviews. Additionally, Namely conducts customer satisfaction surveys. These surveys provide a platform for clients to rate their experience of Namely's service.

The Namely IT team holds weekly meetings to discuss IT matters, including upcoming system changes and upgrades, vulnerability management and the overall IT posture. On a monthly basis, the IT, site reliability engineering (SRE) and security teams hold meetings to discuss both IT- and security-related matters.

Annually, subservice organizations are reviewed to verify that the subservice organizations' controls are designed and operating effectively to provide reasonable assurance over Namely's data. The annual review consists of assessing the vendor's independent attestation reports, as applicable, and other relevant documentation as needed.

## Business Process Controls

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### ***New Client Setup***

New client setup cases are completed by the Namely implementation team prior to a client's first payroll processing date. Year-to-date (YTD) audits are submitted by the Namely implementation team prior to the client's first payroll processing date to ensure that YTD payroll data was entered into the system completely and accurately. Client authorization is confirmed by the Namely QA team prior to transitioning a new company setup case to a live payroll client. A post-implementation review is performed by the Namely implementation team to ensure that the live client setup was aligned with client-approved specifications.

### ***Transaction Processing***

#### **Payroll Input and Processing**

Clients enter their payroll cycle and review their payroll cycle details. Payroll inputs are enforced by the Namely payroll processing services system, which automatically checks the employee data (e.g., employee date of birth, address and hire date) to validate the completeness and accuracy of the data entered. An error message is generated if the data entered is incomplete or inaccurate. The payroll system automatically flags erroneous and incomplete data entered by the client through the preformatted data entry fields. It is the client's responsibility to remediate the entry error upon notification of the alert. Client HR or payroll administrators maintain payroll data with the Namely HRIS portal, and the data is then updated in the Namely payroll processing services system. Encryption technology is used to securely transmit payroll data (which is entered by clients) from the input systems to the Namely payroll processing services system.

The Namely payroll processing services system is configured to automatically calculate the net pay for each employee using the parameters entered by the client (e.g., pay frequency, salary, marital status, number of dependents, state and local taxes). The client then generates a prepayroll comparison report several days before executing a payroll run. These payroll reports are available after calculating the payroll and prior to approval. The client's payroll summary report shows the calculated debit for the given pay cycle. Once confirmed by the client, the client is required to approve the payroll cycle for final processing by the Namely payroll processing services system. The client's payroll reporting portal then displays the pay cycle as "pending." Final payroll summary reports are then available for client records. During the interim processing of this pending pay cycle, the client can roll back the pay cycle within Namely Payroll until 4:00 p.m. EST of the current due date. After this time, the client is required to reach out to the payroll service team to determine if a rollback is possible.

#### ***Payroll Output***

Approved payrolls are then generated and visible to the Namely payroll operations team. The Namely payroll operations team converts the payroll cycle generated by the client to a National Automated Clearing House Association (NACHA) file and reconciles the total amount against the final payroll summary report. Then, the NACHA file is uploaded by an authorized Namely payroll operations team member to the NPC, which is responsible for conducting the direct deposit transactions and collecting and remitting taxes to Namely for payment to the states/agencies. Once the pay cycle batch is closed and submitted to NPC, the client's payroll portal then displays the pay cycle as paid. The debit transaction from the client's bank is processed for the given pay cycle.

#### ***Payroll Tax Liabilities***

The Namely implementation team adds the applicable taxing authorities to whom the client is liable for tax remittance during onboarding to the Namely payroll platform. The client provides ID numbers and rates, as applicable. New states in which a client starts doing business after initial implementation are flagged when the client adds them to their tax liability management panel. The client is immediately alerted by the tax liability management panel via pop-up, stating that the client is not configured for this newly added state.

Clients open a ticket within Salesforce when they request items that require a tax liability adjustment. Namely processes the request and evidences the change both in the ticket (to completion/closure) and in the associated payroll register.

The Namely payroll processing services system is designed to process payroll tax calculations in accordance with the specified values configured by the client as part of implementation (e.g., pay frequency, marital status and allowances). Namely's payroll system has integrated the third-party tool, Symmetry Tax Engine. Symmetry Tax Engine is a tool provided by a third-party vendor that is used as a source of information for tax rates. Namely subscribes to the service, which enables Namely to stay updated with changes in taxation requirements, rules and calculations on federal and state levels. On a monthly basis, Namely manually accesses the Symmetry Tax Engine portal, retrieves the required information and manually inputs the relevant details into the Namely database. These updates are tested prior to being released into the Namely payroll processing services system production environment.

Namely's tax operations team generates and examines daily and quarterly reconciliation reports from the ADP MasterTax software to address discrepancies and to assure statutory taxation requirements are satisfied. The reconciliations are performed by comparing debited transaction records to reconciliation reports. Discrepancies are evaluated and resolved in accordance with the client's changes and statutory requirements.

## **IT General Computer Controls**

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### ***Logical Security***

#### **Overview**

User access management policies and procedures have been documented to establish guidelines for preventing unauthorized access to Namely's systems and supporting infrastructure, including the Namely client site portals and administrator access (which are restricted to authorized Namely personnel). Security measures are utilized to protect against unauthorized access and the misuse of confidential data, and to reduce the risk of compromising Namely's internal systems. Further, appropriate system access controls (including expiration, complexity, history, lock outs and multi-factor authentication) are enforced where supported via a single sign-on (SSO) provider to protect against unauthorized access.

#### **Access Controls**

##### **Authentication**

Logical security measures consist of software safeguards for Namely's systems, including user ID and passwords, multi-factor authentication, restricted access rights and authority levels. These measures are implemented to help ensure that only authorized users can perform actions or access information in a network or workstation.

##### **User Access Requests**

User accounts are created in the system by members of the IT team or an authorized delegate based on proper approval. New and modified system access requests and approvals are recorded on a ticketing system that is monitored by the security operations team. Administrative access to the Namely payroll processing services system is restricted to authorized and appropriate individuals.

Network, system and application access is approved in accordance with a documented Role Based Access Control Policy in accordance with the team member's role. Once approved, network, system and application user account/passphrases and network share access are assigned in accordance with the request. In the event that additional access to a system is required, additional approval from authorized management is required.

**Terminations**

Termination notifications in the form of an IT ticketing system request, email or phone call are sent to the IT team. The termination request is tracked in a ticketing queue. Access to the network, systems and applications are revoked for a terminated employee or contractors in accordance with documented standard operating procedures.

**User Access Reviews/Certifications**

Annually, a user access recertification is performed to validate that appropriate and authorized Namely employees with access to the Namely payroll processing services system remain appropriate in accordance with current job functions and with Namely's access control audit process.

**Encryption**

Data containing sensitive personally identifiable information (PII) is encrypted at rest and during transmission.

***Change Management***

Namely's engineering team exercises a continuous integration/continuous deployment, Agile Software Development Life Cycle practice. Agile's software development methodology allows for incremental, iterative and scalable innovations to its Software-as-a-Service (SaaS) platform. The product management team, in collaboration with leadership within the engineering team, drives feature requirements by creating high-level descriptions of a feature called a user story. A user story is a component of the product roadmap and is tracked and maintained in Namely's Jira system. The product roadmap is inspired by market need, observations, partner or user request, and regulatory requirements. User stories are accumulated in the Jira system, prioritized and then reviewed further by dedicated engineering feature teams that define the technical design specifications that will ultimately produce a result in accordance with software quality control acceptance criteria that is also defined within the user story. Once the user stories are formalized, they are authorized and backlogged by the product management team within the Jira system.

Development begins when the assigned product and engineering teams finalize the set of user stories to be worked on during a given development iteration cycle. New code is continuously integrated (CI) to and tested in a separate development environment by automated processes when engineers upload changes to the source code repository, which assure adherence to version control policies.

When development code is complete and integration tests are passed, changes are deployed to a separate preproduction environment where further testing is conducted. Testing at this phase consists of a set of specified regression tests to determine whether backwards functionality is maintained in accordance with expectations and user acceptance testing (UAT) cases, which validate that user story acceptance criteria is satisfied. Once preproduction requirements are satisfied, the new version of the software is released and merged into production either behind a feature flag (a mechanism that allows Namely's engineering team to release a change to production environments without that new feature or change being immediately accessible or functional) or by becoming readily available to Namely's clients and partners. In the event that acceptance criteria is not met during UAT or regression testing in the dedicated development or preproduction environments, the version is rolled back to be resolved. The phases of the software development life cycle can be traced step-by-step to the final release.

In the event that there is a critical matter impacting the Namely payroll application, a hot fix is planned, scheduled and released utilizing an expedited version of the above process. Production-level operating system software updates and patches are evaluated, monitored and deployed by Namely's site reliability engineering team.

Configuration changes are tracked and approved through the ticketing software (Freshservice) separate from applications and security-related changes, which are tracked through the JIRA ticketing software. Impactful changes are discussed prior to approval.

Access to release new versions of Namely's SaaS is restricted to authorized personnel. The primary team responsible for software releases to production is the site reliability engineering team. By segregating the duties of software development and release, Namely assures that modifications and updates are appropriately maintained, monitored and audited.

## Computer Operations

### Data Backup

Incremental and full daily backup jobs are executed according to a predefined backup schedule and take place automatically through the backup scheduling system. Automated backup failure alerts are sent out to the SRE team, and the failures are monitored to successful resolution. Automated business-critical jobs are scheduled to run on the Namely payroll servers based on a predefined schedule, and subsequent job failures are monitored and tracked through resolution. There were no backup failures and no automated business-critical job failures that required remediation during the period October 1, 2021, to September 30, 2022.

### Information Produced by Namely

Namely utilizes system-generated reports to execute various control activities or provide client reports related to the system. The table below summarizes the key characteristics of these reports.

Report Name	Control Number(s)	Report Purpose	Source System	Report Use
Payroll Summary Report	4.1	This report is for user entities' historical payroll records.	Namely payroll processing services system Namely can modify report code and is responsible for the completeness and accuracy of the report.	Payroll summary report for the user entity
Payroll Register Report	4.1 4.2	This report is for user entities' historical payroll records.	Namely payroll processing services system Namely can modify report code and is responsible for the completeness and accuracy of the report.	Payroll register report for the user entity
NACHA File Report	4.3	This report is prepared by management for NPC to remit payroll payments.	Namely payroll processing services system Namely can modify report code and is responsible for the completeness and accuracy of the report.	NACHA file report for use by NPC (subservice organization)



Report Name	Control Number(s)	Report Purpose	Source System	Report Use
NPC User Access Listing	6.7	This report is for management to conduct a semiannual access review of the NPC user access listing.	NPC web portal Namely is unable to modify the report code, as it is managed by the vendor.	Execution of a control by the service organization
User Access Listing	5.7 6.2 6.5	This report is for management to conduct a semiannual access review of the Namely payroll processing services system user access listings.	Namely Payroll Namely can modify report code and is responsible for the completeness and accuracy of the report. NPC web portal Namely is unable to modify the report code, as it is managed by the vendor.	Execution of a control by the service organization

### Complementary Subservice Organization Controls

Namely uses subservice organizations to perform various functions to support the delivery of services. The scope of this report does not include the controls and related control objectives at the subservice organizations.

The following is a description of services that the subservice organizations provided:

Subservice Organization	Service Provided
ADP	Application hosting services, including logical security, change management and physical security, related to MasterTax
AWS	Hosting services, including logical security, change management, backups and physical security
Google	Email and file sharing, such as data imports for the implementation of new clients and other client correspondence retained for reference
NPC	Application hosting services, including logical security, change management, and physical security, related to NPC online portal

Below are the applicable control objectives that are impacted by the subservice organizations and the complementary subservice organization controls expected to be implemented and operating at the subservice organizations to meet the applicable control objective.

Subservice Organization	Applicable Control Objective Impacted	Controls Expected to Be Implemented to Meet the Applicable Control Objective
ADP	<b>Control Objective 5</b> Controls provide reasonable assurance that the implementation of and changes to application programs are authorized, tested, documented, approved and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.	<ul style="list-style-type: none"> <li>Changes to the system are authorized, tested, approved and implemented.</li> <li>Access to promote changes to its system is restricted to appropriate personnel.</li> </ul>

Subservice Organization	Applicable Control Objective Impacted	Controls Expected to Be Implemented to Meet the Applicable Control Objective
	<b>Control Objective 6</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.	<ul style="list-style-type: none"> <li>Logical access request for additions, changes and removal are approved and completed in accordance with defined policies and procedures.</li> <li>On a periodic basis, management reviews the users' privileges to access the systems for appropriateness.</li> </ul>

Subservice Organization	Applicable Control Objective Impacted	Controls Expected to Be Implemented to Meet the Applicable Control Objective
AWS	<b>Control Objective 5</b> Controls provide reasonable assurance that the implementation of and changes to application programs are authorized, tested, documented, approved and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.	<ul style="list-style-type: none"> <li>Changes to the system are authorized, tested, approved and implemented.</li> <li>Access to promote changes to its system is restricted to appropriate personnel.</li> </ul>
	<b>Control Objective 6</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.	<ul style="list-style-type: none"> <li>Logical access request for additions, changes and removal are approved and completed in accordance with defined policies and procedures.</li> <li>On a periodic basis, management reviews the users' privileges to access the systems for appropriateness.</li> </ul>
	<b>Control Objective 7</b> Controls provide reasonable assurance that data and applications are backed up regularly, and automated job processing is 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.	<ul style="list-style-type: none"> <li>Data backups are performed and retained in accordance with the predefined backup schedule.</li> <li>Backup processes are monitored to confirm that the backup was completed successfully and any errors are investigated and resolved.</li> </ul>

Subservice Organization	Applicable Control Objective Impacted	Controls Expected to Be Implemented to Meet the Applicable Control Objective
Google	<b>Control Objective 5</b> Controls provide reasonable assurance that the implementation of and changes to application programs are authorized, tested, documented, approved and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.	<ul style="list-style-type: none"> <li>Changes to the system are authorized, tested, approved and implemented.</li> <li>Access to promote changes to its system is restricted to appropriate personnel.</li> </ul>
	<b>Control Objective 6</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.	<ul style="list-style-type: none"> <li>Logical access request for additions, changes and removal are approved and completed in accordance with defined policies and procedures.</li> <li>On a periodic basis, management reviews the users' privileges to access the systems for appropriateness.</li> </ul>

Subservice Organization	Applicable Control Objective Impacted	Controls Expected to Be Implemented to Meet the Applicable Control Objective
NPC	<b>Control Objective 5</b> Controls provide reasonable assurance that the implementation of and changes to application programs are authorized, tested, documented, approved and implemented to result in the complete, accurate, and timely processing and reporting of transactions and balances.	<ul style="list-style-type: none"> <li>Changes to the system are authorized, tested, approved and implemented.</li> <li>Access to promote changes to its system is restricted to appropriate personnel.</li> </ul>
	<b>Control Objective 6</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.	<ul style="list-style-type: none"> <li>Logical access request for additions, changes and removal are approved and completed in accordance with defined policies and procedures.</li> <li>On a periodic basis, management reviews the users' privileges to access the systems for appropriateness.</li> </ul>

## Complementary User Entity Controls

Namely's system was designed with the assumption that certain controls would be placed in operation by user entities to achieve the stated control objectives. This section describes the controls that should be in operation at user entities to complement the controls at Namely. User entities are responsible for implementing controls to provide reasonable assurance for the following:

### **Control Objective 1: New Client Setup**

- Ensuring that Namely has configured the client setup according to the client's specifications
- Ensuring that changes to original project setup build agreements are updated accurately within the client portal
- Notifying Namely of any issues in a timely and complete manner for escalation

### **Control Objective 2: Payroll Input**

- Ensuring that all payroll data entered into or transmitted to Namely HRIS is complete, accurate and timely
- Authorizing data changes performed by Namely for completeness and accuracy
- Notifying Namely of changes to its business that impact applicable laws and/or regulation(s) or changes that may affect the services provided by Namely
- Adding new states or agencies to their tax liability management panel and providing the new tax ID numbers to their account manager at Namely

**Control Objective 3: Payroll Processing Calculations**

- Creating the payroll cycle and selecting the payroll data and parameters to be included in the payroll cycle in the Namely payroll processing services system
- Generating and reviewing prepayroll comparison reports prior to approving the final payroll data to include in payroll processing
- Requesting a rollback of the pay cycle from assigned account manager or payroll service team prior to final processing if issues or problems are identified

**Control Objective 4: Payroll Output**

- Reviewing the Namely payroll processing services system output reports for accuracy and completeness and communicating any discrepancies to Namely in a timely manner
- Notifying Namely of any changes to bank account information, and completing the NPC Banking Information Update Form to authorize the bank account change and the NPC Bank Account Activation Form to activate new bank accounts
- Validating and confirming that changes to bank account information have been updated completely and accurately with NPC
- Conducting periodic bank-to-payroll reconciliations to verify the completeness and accuracy of payroll tax liabilities
- Ensuring that changes to the tax ID are accurately reflected in the payroll system so that uncollected monies for the quarter can be paid
- Ensuring that appropriate tax deductions have been applied to employee payments

**Control Objective 6: Logical Security**

- Limiting access to add, update and transmit payroll information to Namely to authorized (and appropriate) individuals
- Performing a review of user accounts with access to the Namely payroll processing services system on a periodic basis to evaluate whether user access is appropriate and performing any required access modifications
- Ensuring that adequate mechanisms are in place to monitor and protect the content of any information passing through their network

**Control Objective 7: Computer Operations**

- Notifying Namely if any reported problems are not resolved in a timely manner or to their satisfaction
- Notifying account managers of any payroll-related issues, inquiries or problems in a timely manner

#### IV. Namely, Inc.'s Control Objectives and Related Controls and RSM US LLP's Tests of Controls and Results of Tests

Namely, Inc.'s control objectives and related controls are an integral part of management's description and are included in this section for presentation purposes. RSM US LLP included the description of the tests performed to determine whether the controls were operating with sufficient effectiveness to achieve the specified control objectives and the results of tests of controls, as specified below.

Tests of the control environment, risk assessment, information and communication, and monitoring included inquiries of appropriate management, supervisory and staff personnel, observation of Namely, Inc.'s activities and operations, and inspection of Namely, Inc. documents and records. The results of those tests were considered in planning the nature, timing and extent of RSM US LLP's testing of the controls designed to achieve control objectives. As inquiries were performed for substantially all of Namely, Inc.'s controls and for the testing of the completeness and accuracy of information produced for populations utilized for control testing, these tests were not listed individually for every control listed in the tables below.

##### Business Process Controls

<b>Control Objective 1:</b> Controls provide reasonable assurance that new client implementations are properly authorized and set up in the payroll processing services system completely, accurately, and timely.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
1.1 New company setup cases are completed by the Namely implementation team prior to a client's first payroll processing date.	Inspected new company setup cases for a sample of new payroll clients to determine whether new company setup cases were completed prior to the client's first payroll processing date.	No exceptions noted.
1.2 Year-to-date (YTD) audits are submitted by the Namely implementation team prior to client's first payroll processing date to ensure that YTD payroll data was entered into the system completely and accurately.	Inspected YTD audits for a sample of new payroll clients to determine whether the YTD audits were submitted by the Namely implementation team prior to the client's first payroll processing date.	No exceptions noted.
	Reperformed YTD audits for a sample of new payroll clients to determine whether YTD payroll data was entered into the payroll processing services system completely and accurately.	No exceptions noted.
1.3 Client authorization is confirmed by the Namely QA team prior to transitioning a new company setup case to a live payroll client.	Inspected client authorizations for a sample of new payroll clients to determine whether client authorization was confirmed by the Namely QA team prior to transitioning a new company setup case to a live payroll client.	No exceptions noted.
1.4 A post-implementation review is performed by the Namely implementation team to ensure that the live client setup was aligned with client-approved specifications.	Inspected the post-implementation review for a sample of new payroll clients to determine whether the live client setup was aligned with client-approved specifications.	No exceptions noted.

<b>Control Objective 2:</b> Controls provide reasonable assurance that payroll data received is recorded completely and accurately.		
<b>Provided by Namely, Inc.</b>		<b>Procedures Performed by RSM US LLP</b>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
2.1 The Namely payroll processing services system enforces employee data input checks to validate the completeness and accuracy of employee data, such as date of birth, address and hire date. An error message is generated and must be corrected if employee data entered is flagged.	Observed a user attempt to enter invalid employee date of birth, address and hire date, and incomplete employee data in the Namely payroll processing services system, and inspected the online error messages displayed to determine whether the Namely payroll processing services system flagged the specific invalid or missing data and prevented the record from being saved.	No exceptions noted.
	Observed a user enter valid and complete employee data in the Namely payroll processing services system to determine whether the data was accepted and saved.	No exceptions noted.
2.2 Payroll data entered into the HRIS module is automatically transmitted to the Namely payroll processing services system. Payroll data is logged and displayed for review and resolution as required.	Observed payroll data entered into the HRIS module to determine whether the payroll data was automatically transmitted and was logged and displayed for review and resolution as required.	No exceptions noted.
2.3 The Namely payroll processing services system automatically flags erroneous and incomplete data entered by the client through the preformatted data entry fields.	Observed a user modify the preformatted data entry fields to determine whether the Namely payroll processing services system automatically flagged bad data entries within an error log.	No exceptions noted.
2.4 The Namely payroll processing services system is designed to alert the client when a new state has been added that requires a tax ID for processing.	Observed a payroll operations manager change the address to a new state to determine whether the Namely payroll processing services system prompted the user to insert the new state tax ID information upon attempting to process payroll.	No exceptions noted.

<b>Control Objective 3:</b> Controls provide reasonable assurance that payroll is automatically calculated in accordance with client-defined parameters and deviations are resolved prior to processing.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
3.1 The Namely payroll processing services system is configured to automatically calculate gross pay per pay cycle, Medicare, Social Security, applicable tax withholdings, total withholding and net pay for each employee using the employee parameters that are entered by the clients, including pay frequency, salary, state of residence, marital status and number of dependents.	Reperformed the namely payroll processing system's calculations for a sample of test employee records to determine whether the system automatically calculated gross pay per pay cycle, Medicare, Social Security, applicable tax withholdings, total withholding and net pay based on a variety of predefined unique employee characteristics as defined below: <ul style="list-style-type: none"> <li>• State of residence</li> <li>• IRS filing status</li> <li>• Pay frequency</li> <li>• Annual salary</li> <li>• Number of dependents</li> </ul>	No exceptions noted.
3.2 Tax information is updated on a monthly basis utilizing information obtained from the Symmetry tax portal. These updates are tested prior to being released into the Namely payroll processing services system production environment.	Inspected the documented testing of the tax information monthly update for a sample of months to determine whether the tax update was tested prior to release into the Namely payroll processing services system production environment.	No exceptions noted.
3.3 Daily and quarterly reconciliation reports are reviewed by the tax operations team to address discrepancies in statutory taxation requirements identified between the Namely payroll processing services system and the ADP MasterTax software. Discrepancies are evaluated and resolved in accordance with client changes and statutory requirements.	Inspected the Namely payroll summary tax file, ADP MasterTax payroll tax import report and the reconciliation spreadsheet for a sample of days to determine whether the tax operations team evaluated and resolved statutory taxation discrepancies identified between the Namely payroll processing services system and the ADP MasterTax software in accordance with client changes and statutory requirements.	No exceptions noted.
	Inspected the Namely payroll reconciliation tax summary file, ADP MasterTax quarterly reconciliation report and ADP MasterTax wage report for a sample of quarters to determine whether the tax operations team evaluated and resolved statutory taxation discrepancies identified between the Namely payroll processing services system and the ADP MasterTax software in accordance with client changes and statutory requirements.	No exceptions noted.
	Inspected the report query utilized to generate the nightly PTS files to determine whether the report was accurate and complete.	No exceptions noted.

<b>Control Objective 3:</b> Controls provide reasonable assurance that payroll is automatically calculated in accordance with client-defined parameters and deviations are resolved prior to processing.		
<b>Provided by Namely, Inc.</b>		<b>Procedures Performed by RSM US LLP</b>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
3.4 Deviations are identified prior to payroll processing and the Namely payroll processing services system is configured to require resolution and client approval to proceed.	Observed an attempt to process payroll with a deviation to determine whether the system was configured to prevent a user from processing payroll when there is a deviation.	No exceptions noted.
	Observed the resolution of a deviation to determine whether client approval was required prior to processing the payroll.	No exceptions noted.



<b>Control Objective 4:</b> Controls provide reasonable assurance that the Namely payroll processing services system generates payroll summary, payroll register and NACHA file reports completely and accurately.		
<b>Provided by Namely, Inc.</b>		<b>Procedures Performed by RSM US LLP</b>
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
4.1 Complete and accurate client payroll register and summary reports are generated from the Namely payroll processing services system upon client approval and processing of the payroll cycle.	Reperformed the generation of payroll register and summary reports for a sample client's payroll cycle and agreed the values from the reports to the production environment values to determine whether the Namely payroll processing services system generated the payroll register and summary reports in a complete and accurate manner.	No exceptions noted.
4.2 Complete and accurate client payroll register reports are generated from the Namely payroll processing services system upon the completion of tax liability adjustments requested by the client.	Reperformed the generation of payroll register reports for a sample completed tax liability adjustments and agreed the values from the reports to information provided in the client's request to determine whether the Namely payroll processing services system generated the payroll register reports in a complete and accurate manner.	No exceptions noted.
4.3 Complete and accurate NACHA file reports are generated from the Namely payroll processing services system upon client approval and processing of the payroll cycle.	Reperformed the generation of NACHA file report for a sample client's payroll cycle and agreed the values from the NACHA file report to the production environment values to determine whether the Namely payroll processing services system generated the NACHA file reports in a complete and accurate manner.	No exceptions noted.

## IT General Controls

<b>Control Objective 5:</b> Controls provide reasonable assurance that changes to the Namely payroll processing services system are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
5.1 Namely payroll processing services system change requests are formally documented in a change ticket and reviewed by the appropriate personnel.	Inspected the change ticket for a sample of Namely payroll processing services system production changes to determine whether Namely payroll processing services system production changes were formally documented and authorized by appropriate personnel.	No exceptions noted.
5.2 Testing is required to be performed by the development or QA team in a dedicated nonproduction development environment, and the related testing sign offs are tracked in the change ticket.	Inspected the change ticket for a sample of Namely payroll processing services system production changes to determine whether Namely payroll processing services system production changes were tested by the development or QA team in a dedicated nonproduction environment, and related sign offs were tracked.	No exceptions noted.
5.3 Changes are required to be documented in a formal change ticket and approved by appropriate personnel prior to deployment into the production environment.	Inspected the release management change tickets for a sample of Namely payroll processing services system production changes to determine whether Namely payroll processing services system production changes were approved for deployment into production by authorized members of management prior to production release.	No exceptions noted.
5.4 Users are restricted, through the use of a workflow, from developing and approving their own change. Only authorized users who are not developers have administrative access to the Namely payroll processing services system production environment.	Observed a user open a request and attempt to approve their own request for a sample change pull request to validate that the system denied the user from approving their own request.	No exceptions noted.
	Inspected the system listing of users with administrative access to the Namely payroll processing services system production environment to determine whether access to the Namely payroll processing services system production environment was restricted to authorized users who were not developers.	No exceptions noted.
5.5 Namely payroll processing services system source code is controlled using a source code repository tool.	Inspected the source code repository system to determine whether the Namely payroll processing services system source code was controlled using a source code repository tool.	No exceptions noted.

<b>Control Objective 5:</b> Controls provide reasonable assurance that changes to the Namely payroll processing services system are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
5.6 The SRE team identifies system patching needs and installs security patches on the operating system and database supporting the Namely payroll processing services system production environment.	Inspected the maintenance logs and the update history for a sample of months to determine whether monthly security patches were installed on the servers supporting the Namely payroll processing services system production environment.	No exceptions noted.
	Inspected the update history for security patches applied to the databases to determine whether security patches/hotfixes were installed on the databases supporting the Namely payroll processing services system production environment.	No exceptions noted.
5.7 Access to implement security patches on the operating system and database supporting the Namely payroll processing services system production environment is restricted to authorized individuals. Access is reviewed annually.	Inspected the system listing of users with access to implement security patches on the operating system and database supporting the Namely payroll processing services system production environment to determine whether access to implement security patches was restricted to authorized members.	No exceptions noted.
	Inspected the most recent access recertification spreadsheet for the in-scope applications to determine whether IT security personnel performed the reviews to validate that access was appropriate based on job roles, and inappropriate access identified was removed.	No exceptions noted.
	Inspected the system logic and report query utilized to generate the Namely payroll processing services system user listings to determine whether the appropriate parameters were used, and no relevant data was excluded.	No exceptions noted.

<b>Control Objective 6:</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
6.1 The ability to log into a client's Namely payroll production environment follows role-based access control policies.	Inspected a Namely administrator user attempt to log into a sample client's Namely payroll production environment for a client that they do not support to determine whether access was appropriately denied based on assigned role-based access.	No exceptions noted.
	Inspected a Namely administrator user attempt to log into a sample client's Namely payroll production environment that they support to determine whether access was authorized based on assigned role-based access policies.	No exceptions noted.
6.2 Administrative access to the Namely payroll processing services system is restricted to authorized and appropriate individuals. Administrative access is reviewed annually.	Inspected the system listing of user IDs with administrative access to the Namely payroll processing services system to determine whether access was restricted to authorized individuals.	No exceptions noted.
	Inspected the most recent access recertification spreadsheet for the in-scope applications to determine whether IT security personnel performed the reviews to validate that access was appropriate based on job roles, and inappropriate access identified was removed.	No exceptions noted.
	Inspected the system logic and report query utilized to generate the Namely payroll processing services system user listings to determine whether the appropriate parameters were used, and no relevant data was excluded.	No exceptions noted.
6.3 User access additions and modifications to the Namely payroll processing services system is provisioned based on the user's role. If additional access is needed, authorization from an appropriate member of management is required.	Inspected the access request ticket for a sample of access additions and modifications to the Namely payroll processing services system to determine whether access was authorized by an appropriate member of management, and access was granted in accordance with the request.	No exceptions noted.
6.4 Terminated employee and contractor user access to the Namely payroll processing services system is disabled or removed timely.	Inspected the offboarding checklist, ticket and Namely payroll processing services system and infrastructure user listings for a sample of terminated employees and contractors to determine whether access to the Namely payroll processing services system was disabled or removed timely.	No exceptions noted.

<b>Control Objective 6:</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.		
<b>Provided by Namely, Inc.</b>	<b>Procedures Performed by RSM US LLP</b>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
6.5 Annually, a user access recertification is performed to validate that authorized Namely employees' access to the Namely payroll processing services system remains appropriate and in accordance with their current job functions.	Inspected the most recent access recertification spreadsheet for the in-scope applications to determine whether IT security personnel performed the reviews to validate that access was appropriate based on job roles, and inappropriate access identified was removed.	No exceptions noted.
	Reperformed the most recent access recertification for a sample of modifications to employee access to determine whether access was modified as requested by the reviewer.	No exceptions noted.
	Reperformed the most recent access recertification for a sample of terminations to determine whether access was removed for those employees.	No exceptions noted.
	Inspected the system logic and report query utilized to generate the Namely payroll processing services system user listings to determine whether the appropriate parameters were used, and no relevant data was excluded.	No exceptions noted.
6.6 Client data containing sensitive PII is maintained in a Google drive folder where access is restricted to authorized individuals.	Inspected the Google drive folder where client sensitive PII data was maintained to determine whether privileged access to the master folder was restricted to authorized individuals.	No exceptions noted.
6.7 Access to the NPC online portal is restricted to authorized individuals. Access to the client portal is reviewed by the management semiannually. Any inappropriate access identified is removed.	Inspected the NPC online portal system listing of user IDs with access to the NPC online portal to determine whether access was restricted to authorized individuals.	No exceptions noted.
	Inspected management's review of users with access to the NPC online portal to determine whether management performed the reviews to validate that access was appropriate based on job roles, and inappropriate access identified was removed.	No exceptions noted.
	Inspected the system logic and report query utilized to generate the NPC user listings to determine whether the appropriate parameters were used, and no relevant data was excluded.	No exceptions noted.

<b>Control Objective 6:</b> Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users, and such users are restricted to performing authorized and appropriate actions.		
<b>Provided by Namely, Inc.</b>	<b>Procedures Performed by RSM US LLP</b>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
6.8 Appropriate system password controls (including expiration, complexity, history, lock outs, two-factor authentication) are enforced by the access control systems to protect against unauthorized access according to the Namely password policy.	Inspected the Namely password policy to determine whether the policy established a standard for the creation of strong passwords, including but not limited to the following: <ul style="list-style-type: none"> <li>• Multi-factor authentication is used.</li> <li>• Passwords must be a minimum of eight characters.</li> <li>• Complexity is enabled.</li> <li>• Auto lock must be enforced after multiple failures.</li> <li>• Users must not repeat previously used passwords.</li> </ul>	No exceptions noted.
	Inspected the password configurations for the in-scope systems to determine whether the password parameters were in compliance with the Namely password policy.	No exceptions noted.
	Observed the authentication process for the HRIS system to determine whether the system was linked with Okta.	No exceptions noted.

<b>Control Objective 7:</b> Controls provide reasonable assurance that data and applications are backed up regularly, and automated job processing is 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.		
<i>Provided by Namely, Inc.</i>	<i>Procedures Performed by RSM US LLP</i>	
<b>Control</b>	<b>Test Performed</b>	<b>Test Results</b>
7.1 Daily backup jobs are executed according to a predefined backup schedule and take place automatically through the backup scheduling system.	Inspected a sample backup log and the predefined backup schedule in the Namely payroll processing services system database to determine whether daily backup jobs were scheduled to execute automatically.	No exceptions noted.
	Inspected the backup log for a sample of days to determine whether the Namely payroll production database backup job was executed according to the predefined backup schedule and completed successfully.	No exceptions noted.
7.2 Automated backup failure alerts are sent out to the SRE team, and the failures are monitored to successful resolution.	Inspected the backup job notification properties in the Namely payroll processing services system database to determine whether automated alerts were configured to be sent to the SRE team in the event of a backup failure for monitoring and resolution.	No exceptions noted.
	Inspected the system-generated listing of backup failures to determine whether there were any failed backups that required remediation during the report period.	No tests of the control were performed, because the circumstances that warrant the operation of the control did not occur during the report period.
7.3 Automated business-critical jobs are scheduled to run on the Namely payroll servers based on a predefined schedule, and subsequent job failures are monitored and tracked through resolution.	Inspected the predefined schedule in the Namely payroll processing services system database for a sample of payroll system server jobs to determine whether the automated business-critical jobs were scheduled to run automatically according to the schedule.	No exceptions noted.
	Inspected the scheduled job notification properties in the Namely payroll processing services system database to determine whether automated alerts were configured to be sent to the IT operations team in the event of an automated business-critical job failure for monitoring and resolution.	No exceptions noted.
	Inspected the system-generated listing of automated business-critical job failures to determine whether there were any automated business-critical job failures that required remediation during the report period.	No tests of the control were performed, because the circumstances that warrant the operation of the control did not occur during the report period.

## **V. Other Information Provided by Namely, Inc.**

The information included in this section of the report is presented by Namely, Inc. to provide additional information to user organizations and is not a part of Namely, Inc.'s description of controls placed in operation. The information in this section has not been subjected to the procedures applied in the examination of the description of controls applicable to the processing of transactions for user organizations and, accordingly, RSM US LLP expresses no opinion on it.

### **Business Continuity and Disaster Recovery**

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Namely provides business-critical services to its clients. As a result, Namely exercises a business continuity strategy to provide resiliency in the event of a disaster or other unforeseen disruption to normal business operations.

#### ***Recovery Plan***

##### **Personnel Availability**

In the event that access to Namely's headquarters is either unavailable or limited, all employees are equipped with secure technologies to enable them to work remotely.

The business continuity team consists of two units:

- Technical disaster recovery team: Assures site and technology reliability. Led by our site reliability engineering team.
- Business continuity operations team: Coordinates company operations and ensures that business proceeds. Consists of experts in IT support, HR and operations.

##### **Data**

Automated, scheduled backups of data are regularly conducted and encrypted. The recovery point objective is less than one hour.

##### **Communication Strategy**

In the case that Namely's business continuity or disaster recovery strategy has to be invoked, the client success team will notify designated client contacts and real-time updates will be available at [status.namely.com](https://status.namely.com).