

Department of Labor Quality Benefit Plan Audit Response

Executive Summary

The Office of the Chief Accountant (OCA), employee Benefits Security Administration (EBSA) and the Department of Labor (DOL), has completed an assessment of the quality of work performed by independent qualified public accountants (IQPAs) with respect to financial statement audits of employee benefit plans covered under the Employee Retirement Income Security Act of 1974 (ERISA) for the 2011 filing year.

Their findings identified that nearly 4 out of 10 audits contained major deficiencies with respect to one or more relevant Generally Accepted Auditing Standard (GAAS) requirements that would lead to a rejection of a Form 5500 filing, putting plan participants and beneficiaries at risk.

A Message from the Chief Accountant, U.S., Department of Labor

Recently, the Department of Labor has been sending communications to plan sponsors and administrators related to the importance of receiving a high quality benefit plan audit.

Freed Maxick's Response

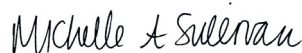
The following document is a brief representation of our Firm's employee benefit plan auditing qualifications designed to respond to the specific points highlighted in a communication that you may have received from the Department of Labor regarding the importance of a quality employee benefit plan audit.

Our Firm audits employee benefit plans of varying sizes and structures and our professional staff has substantial experience providing our clients with the technical knowledge to keep their plans in compliance with regulatory authorities. In addition to our experience, we differentiate ourselves from other firms through our overall practice philosophy. We listen to our clients to understand their needs and concerns and then develop a service plan based on open communication designed to exceed our clients' expectations.

If you have any questions about our qualifications, or any other matters related to our services, please feel free to call us at (716) 847-2651.

Very truly yours,

FREED MAXICK, CPAs, P.C.



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Audit Qualifications and Firm Information

Freed Maxick is one of the largest providers of professional services in Upstate New York with over 315 professional and administrative staff. We are listed in the Public Accounting Report's annually updated list of the 100 largest accounting firms in the United States. Freed Maxick operates as follows:

| SERVICE AREA | PROFESSIONALS | DIRECTORS |
|-----------------------|---------------|-----------|
| Accounting & Auditing | 83 | 16 |
| Tax & Consulting | 118 | 16 |
| Asset Based Lending | 33 | 2 |
| Total | 234 | 34 |

Our Firm has four locations in New York State in Buffalo, Batavia, Rochester & Syracuse. This engagement will be served by staff from the Buffalo office. We have developed a highly diversified client base that is well balanced and not overly dependent on one industry for continued growth. We believe that our clients and our people are our greatest assets.

Our philosophy is grounded in these core values:

PERFORMANCE TEAMS

We are passionate about helping our clients; your success is our key focus.

TAKE IT PERSONALLY

We take pride in doing our best in everything we do.

AHEAD OF THE CURVE

We supply creative approaches and collaborative efforts to deliver the right advice.

COMMUNICATION THAT MATTERS

We listen first and are forthright about opportunities, issues and concerns.

CONNECTED TO THE COMMUNITY

We strive to make a difference in the community.

Freed Maxick is a member of the McGladrey Alliance. The McGladrey Alliance is a premier affiliation of independent accounting & consulting firms in the United States, with more than 90 members in 42 states and Puerto Rico. As a member of McGladrey Alliance, Freed Maxick has access to many of the resources and services RSM US, LLP (formerly McGladrey, LLP) provides its own clients. McGladrey Alliance member firms maintain their respective names, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships. RSM US (formerly McGladrey) is the fifth largest U.S. provider of assurance, tax and consulting services with 7,000 professionals and associates in nearly 90 offices.

Trust earned.



In the November 2015 notice sent to plan sponsors, the DOL provided a list of questions to ask their current or prospective auditor to ensure they are exercising the proper due diligence when selecting or retaining a plan auditor. The following is Freed Maxick's responses to the proposed DOL auditor questions:

1.) What is the number of employee benefit plans that Freed Maxick audits each year, including the types of plans?

According to the DOL study, the results clearly indicated a link between the number of employee benefit plan audits performed by a CPA and the quality of the work performed. Analysis of the data indicates a wide disparity between those CPA's who perform the fewest plan audits and those firms that perform the largest number of plan audits. Based upon the number of employee benefit plans Freed Maxick audits, this places our firm in the top 1% of all CPA firms that perform employee benefit plan audits.

We currently perform over 120 Employee Benefit Plan audits each year, and have a core group of over 50 people who have been trained in the numerous rules and regulations impacting this highly specialized industry. Our annual audits consist of Defined Contribution Plans, Defined Benefit Plans, 403(b) Plans, Taft-Hartley Multi-Employer Plans, Employee Stock Ownership Plans, Employee Stock Purchase Plans, 457 Plans, Health & Welfare and VEBA Plans.

The following represents an overview of the various plans that we audit including the total assets and the number of participants in the plans:

| AMOUNT OF ASSETS | | | |
|------------------|--------|---------------|--------|
| | <\$10M | \$10M - \$50M | >\$50M |
| Total plans | 47 | 43 | 30 |

| NUMBER OF PARTICIPANTS | | | |
|------------------------|-------|-------------|---------|
| | < 250 | 250 - 1,000 | > 1,000 |
| Total participants | 45 | 55 | 20 |

In addition, Freed Maxick has prepared over 150 Form 5500's for our clients. We have assisted many clients in the education and adoption of new legislation and other advisory services. Our well experienced team has also assisted our clients in self-correcting operational errors in accordance with the Internal Revenue Service's approved guidelines and to correct operational and compliance problems before they are discovered by the Internal Revenue Service or Department of Labor. We have also assisted clients in designing and implementing plans, selecting investment advisors and third-party administrators, monitoring plan performance, and fiduciary governance. **Additionally, we conduct a number of seminars and training sessions each year for the benefit of our staff and clients. We invite our clients to participate and encourage them to communicate their topics of interest. We also are available to present to an oversight committee regulatory changes, best practices and fiduciary consulting.**

When partnering with us you get more than an audit firm, you get a full service consulting firm. We offer expertise and consultative advice beyond the traditional employee benefit plan audit and tax compliance activities. We provide various consulting services which include the following.

- Assurance and advisory
- Assistance with Department of Labor and Internal Revenue Service audits
- Fiduciary Consulting
- Assistance with Compliance Correction Programs
- Expert Witness Testimony
- ERISA 408b(2) consulting
- Best practice reviews

2.) What is the extent of specific annual training Freed Maxick receives in auditing employee benefit plans?

Our team structure, staffing, service approach, communication and coordination are refined to fit the unique needs of each of our employee benefit plan clients. You expect your audit firm to be knowledgeable about your business and about the administrative, operational and reporting requirements for employee benefit plans. Because of our extensive experience, both locally and nationally, you can be assured of quality business advice and uncompromising client service. Freed Maxick has invested significant time and resources developing a full range of services to assist all our employee benefit plan clients.

The DOL's study indicated that CPA firms that were members of the AICPA's Employee Benefit Plan Audit Quality Center tended to produce audits that have fewer audit deficiencies.



Our Firm is a member of the American Institute of Certified Public Accountants and its Employee Benefit Plan Audit Quality Center, and has been since its inception. This program was established to help its members achieve the highest standards in performing quality Employee Benefit Plan audits. Membership requires that firms maintain a consistent level of quality with respect to audits of employee benefits plans and staff continuing education requirements. We participate annually in the AICPA National Conference on Employee Benefit Plans, in addition to web conferences throughout the year. The annual conference provides our professionals with key updates on recent and proposed legislative changes and regulatory issues. It is presented by

some of the industry's leading experts, including Department of Labor and IRS representatives. Our membership and attendance at this and other professional education provides our professionals that concentrate on the auditing and reporting of employee benefit plans and those responsible for tax and regulatory consulting the industry knowledge that allows us to provide high quality service and proactive advice.

Another key factor of the DOL Study that led to fewer audit deficiencies was the amount of specialized training in the audits of employee benefit plans.

Although the Employee Benefit Plan Audit Quality Center only requires 8 hours of CPE every three years, our firm incorporates additional training to ensure that our personnel have an adequate skill set to serve our client base. The Directors and Managers in our Employee Benefit Plan practice receive over 40 hours of training each year while our senior and staff accountants receive a minimum of 24 hours of specific training related to Employee Benefit Plan auditing and consulting. Annually we devote resources to attend the national AICPA Benefit Plan Conference and International Foundation Practitioners Conference to stay abreast of industry, accounting, and regulatory updates that affect employee benefit plans.

3.) What is the status of Freed Maxick's CPA license with the applicable state board of accountancy?

Our firm has been licensed in New York State since 1958 and has been and continues to be in good standing.

4.) Has Freed Maxick been the subject of any prior DOL findings or referrals, or has been referred to a state board of accountancy or the American Institute of CPAs for investigation?

Our firm has had no findings or referrals from any agencies.

5.) Has Freed Maxick's employee benefit plan audit work recently been reviewed by another CPA (Peer Review), and did such review result in negative findings?

The firm is subject to a rigorous peer review every three years to ensure the quality of our work is in accordance with our professional standards. We have participated in the Peer Review program for over 25 years. Our inspections include employee benefit plan audits as they represent a material portion of our firms audit practice. Our most recent review was a rating of pass with no letter of comments. A copy of our latest Peer Review letter can be provided upon request.

**Benefit from Freed Maxick's
commitment to quality**

Meet with our
Employee Benefit Audit
Engagement Team