



Payday Payroll Services
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January 27, 2012

To: All clients of Payday Payroll Inc. and their financial advisors

From: Andrew Kline, President, Payday Payroll Inc.

Subject: SSAE-16 audit and subsequent months

Our recently completed SSAE-16 audit monitored the months from July 1, 2010 thru June 30, 2011, in compliance with the time guidelines for converting from the SAS-70 audit to the more stringent SSAE-16 audit.

This audit monitored all the financial, reconciliation, processing, security, hiring, procedural, and confidentiality measures taken to assure effective controls over all aspects of our payroll processing. At the time of the audit, it was determined that our description of our payroll processing system was suitable for the design and operating effectiveness of controls to achieve the related objectives stated in the description.

The controls, when actually tested and monitored, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period of July 1, 2010 through June 30, 2011. Payday Payroll currently has a three year engagement with its audit firm to perform an annual audit of this nature through June 30, 2013.

In the subsequent months since the date of the audit, there have been no significant changes in any processes or documentation of procedures that were prevalent during the audit period. There have been two technology improvements that were not in place during the audit that have subsequently been enacted; one hardware, one software:

1. Since the dates of the audit, Payday's IT department has boosted processing speed of its SQL database by sectoring its database into quadrants and adding additional drives and memory capacity.
2. In January of 2012, Payday began implementation of new software, "SecureView", which allows greater security in providing clients confidential employee data by requiring secure log-ins in order to retrieve payroll reports from our hosted site.

These are the only changes that have taken place since the audit. We hope this letter helps any of our clients or independent auditors in understanding any changes to the control environment since the SSAE-16 audit took place. If there are any questions regarding the SSAE-16 engagement, please contact any of our officers at (757) 523-0605.