

# **BUSINESS PROCESS OUTSOURCING: A CASE STUDY ON DATA-PATH LIMITED**

## **Submitted to**

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27<sup>th</sup> February, 2022



UNITED INTERNATIONAL UNIVERSITY

## LETTER OF TRANSMITTAL

Date: 27<sup>th</sup> February, 2022

Dr. Mohammad Tariq Hasan  
Associate Professor  
School of Business and Economics  
United International University

**Subject:** Submission of the internship report on “Business Process Outsourcing: A case study on Data-Path Limited”.

Dear Sir,

It is with an utmost gratitude and respect to inform you that it is an honor to submit this internship report on “Business Process Outsourcing: A case study on Data-Path Limited”. Abiding by your suggestions, every effort was made to ensure the successful outcome of this internship report. All the necessary instructions, guidelines and advices received from you helped accomplish the successful completion of this report.

It is hoped that this report will be up to your expectations and add some value to the internship report archive of United International University.

Sincerely yours,

Md. Ariful Islam

ID: 111 171 153

School of Business and Economics  
United International University

## **DECLARATION OF THE STUDENT**

The author, Md. Ariful Islam, a student of United International University, School of Business and Economics, hereby declare that this internship report on “Business Process Outsourcing: A case study on Data-Path Limited” is prepared him and it is not submitted for any degree, diploma, title or recognition.

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Md. Ariful Islam

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## ACKNOWLEDGEMENT

It is an absolute honor and pleasure being able to complete this report by the grace of Almighty Allah. Thanks to everyone who helped and supported directly and indirectly in preparing this report. Firstly, beginning with the acknowledgement by sincerely expressing the heartfelt appreciation towards the honorable supervisor Mr. Mohammad Tariq Hasan, Associate Professor, United International University, who was a great inspiration in preparing this report. His full on support, guidelines, formats that were received helped to be able to complete this report. He provided all the necessary materials and advices for the successful completion of this report. Under his guidance, it was a pleasure to prepare this report on the “Business Process Outsourcing on Data-Path Limited”.

The heartfelt thankfulness would like to be expressed to Data-Path Limited for giving this internship opportunity to excel the skills and prove the abilities in the corporate world. A very warmth and friendly attitude from all the employees of the company were received who helped a lot to get accustomed with the work and cope up with the increasing pressure. It was also an absolute honor and pleasure to have Md. Shahatad Hossain Chowdhury, General Manager of Business Process Outsourcing Department, as the internship mentor and Md. Asaduzzaman, Team Leader of Associated Pension Consultants Inc., as the supervisor. It is with their inspiration and support, studying the different topics and fields of the company were made possible which helped a lot to complete this report.

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## EXECUTIVE SUMMARY

Retirement Plan Fundamentals or simply 401(K) is one of the largest industries in USA. It is recommended by the US government to adopt this policy. Companies who adopt this policy get tax exemption from the government. So, it has become very widespread throughout all over the US. Data-Path is the first registered Bangladeshi company that work in this industry through outsourcing. July Business Services is the mother company that introduced Data-Path into this industry. Since average salary in the US is very high, they prefer to outsource their business process from other countries. A great window of opportunity for internship was open at Data-Path that helped gain an enormous amount of knowledge about 401(K) industries and their accounting procedures. The accounting procedures of this industry is very different and complicated from traditional accounting in Bangladesh. They use different types of formula and government approved rules for different scenarios. All their workings run through a testing that need to be passed to get tax benefit from the government. So, all the companies must follow all the rules very strictly. During the internship period most of their accounting procedures and database systems have been learned that contain the information about their clients. It was a privilege to gain this amount of corporate knowledge and antiquates that will help a lot in future.

**Key Words:** Business process outsourcing, investment record keeping, Retirement plan, tax benefit, Data-Path, Bangladesh.

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## LIST OF ABBREVIATION

<b>BPO</b>	Business process outsourcing
<b>APCI</b>	Associate Pension Consultants Inc.
<b>RPF</b>	Retirement Plan Fundamentals
<b>TPA</b>	Third Party Administration
<b>ACP</b>	Average Contribution Percentage
<b>ADP</b>	Average Deferral Percentage
<b>HCE</b>	Highly Compensated Employee

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Report**

Internship program is one of the most important and effective courses that helps combine the academic knowledge with the practical world. This report was prepared based on the knowledge and experience of American Retirement Plan known as the 401(K) industries. Establishing and maintaining a 401(K) policy within a company is quite costly and challenging. So, different third-party administrations (TPA) take on the job to establish and keep track of the policy for a company. Also, keeping track and maintaining the 401(K) plan is quite costly in the US. So, the TPAs outsource the job from different companies from other countries such as Data-Path. Data-Path is a controlled group of July Business Services who is the actual TPA working in the US. All the work and instructions come straightly from July to Data-Path before executing any task. Data-Path has been working in this industry since 2007 and has been rising ever since.

### **1.2 Objectives of the Report**

The objective of this report is to represent the 401(K) industries through the business process outsourcing in Data-Path. The report also reflects the 4-month long internship experiences gained and activities done.

### **1.3 Motivation of the Report**

The motivation behind this report is the abstract representation and analysis of the US Retirement Plan industry. The policy values every employee of a certain company with as much benefit as possible. This industry introduced the execution of Deferral (Pre-tax employee benefit) and Roth (after-tax employee benefit). Employees get maximum possible benefits of Employer Match and Non-Elective Profit Sharing based on their Deferral and Roth.

## **1.4 Scope and limitations of the Report**

Scope of the report: The report mostly highlights the work and behavioral environment of the BPO (Business Process Outsourcing) department. This report reflects almost all the works and accounting processes of the BPO department.

Limitations of the Report: The limitations of the report are as follows:

- For the sake of maintaining the confidentiality of certain information relating this industry are not showed in this report. Such information contains the SSN (Social Security Number) of US citizens, investment accounts in different RKs and many more.
- The actual formulas and percentages used to calculate the contributions and allocations of benefits.
- Most of the regulations and percentages are indexed under the Us government provisions. So, the information reflected in this report may not be the same next year.
- The report does not reflect the work and activities of any other departments other than BPO in Data-Path.
- Since most of the information are confidential and classified, the internet contains a very limited information about the industry.

## **1.5 Definition of Key terms**

TPA: Third Party Administrations such as July Business Services who create, propose and maintain the 401(K)-retirement policy for different companies.

Deferral: Employee pre-tax contribution of their yearly compensation that is used to calculate the amount of employer match they are entitled to receive.

Roth: Employee after-tax contribution of their yearly compensation also used to calculate employer match.

Employer Match: The percentage of employer contribution an employee is entitled to receive based on the amount of Deferral and Roth made.

Highly Compensated Employees: The employees who received at least \$130,000 in 2020 will be treated and tested as an HCE for the 2021 valuation year.

Key Employees: The employees who own more than 5% of the company are treated as a Key employee of the company.

ADP test: It is a discrimination test that minimizes the deferral making discriminations between the HCEs and NHCEs (Non-Highly Compensated Employees).

ACP test: The discrimination tests the minimizes the discrimination of employer match received by the HCEs and NHCEs.

## CHAPTER TWO: COMPANY AND INDUSTRY PREVIEW

### 2.1 Company Analysis

#### 2.1.1 Overview and history

Data-path is a privately owned outsourcing company in Bangladesh working for a US based company named July Business Services. July Business Services is owned by Jim Hudson and John Humphrey. It is a well-known company in the USA retirement plan industry. Data-path initially started its journey in 2005 on a trial basis providing supportive operations for July. But in 2008 it grew big enough to register as a private limited company in the Register of Joint Stock for Company (RJSC).

**Vision:** The vision of the company is to obtain the leading position in the outsourcing industry. To evolve from a traditional BPO to the next Generation BPO.

**Mission:** The mission is to serve the clients effectively with the help of the latest technologies and skills. Transformation and innovation are core to Data-path Ltd.

#### 2.1.2 Trend and growth

Data-path is growing rapidly and frequently throughout the years because of the demand in the industry. The number of clients are also increasing. As of today, Data-path is working for industry giants like July Business Services, Associated Pension Consultants Incorporation (APCI), Creative Retirement System (CRS), Tristar and Beacon Benefits Inc. etc. The company has over 350 employees working on full force to provide the best services to the clients.

#### 2.1.3 Customer mix

The main customers of Data-path are July Business Services, APCI, CRS, Tristar, Beacon and some other third-party administrations (TPA).

#### 2.1.4 Product/service mix

Data-path provides a wide range of services to their clients such as:

**Plan design:** The company creates the best retirement plans to meet the unique goals of their clients. Whether the objective of the employee recruitment and retention or maximizing the benefits for key employees, it has the expertise to meet the vast needs of their customers.

**Plan Setup:** The company is very efficient in setting up the retirement plans. The plan setup services are like setting up the paperwork, loan policy, submission of the contribution report.

**Plan Administration:** The consultants of the company have over 3 years of experience in this technical field and provides the best plan administration services.

**Plan Operation Support:** It maximizes the value of the plan by efficiently calculating the followings:

- Eligibility calculation
- Contribution calculation
- Vesting calculation
- Distribution and loan processing

**Compliance Testing:** The company provides complete compliance testing services to maintain the integrity and reduce the benefiting discriminations. Testing services include:

- ADP & ACP testing
- Top Heavy testing
- Minimum Coverage Testing
- Non-discrimination Gateway testing

**Record Keeping:** The company provides record keeping services for July Business Services through their daily valuation record keeping platform:

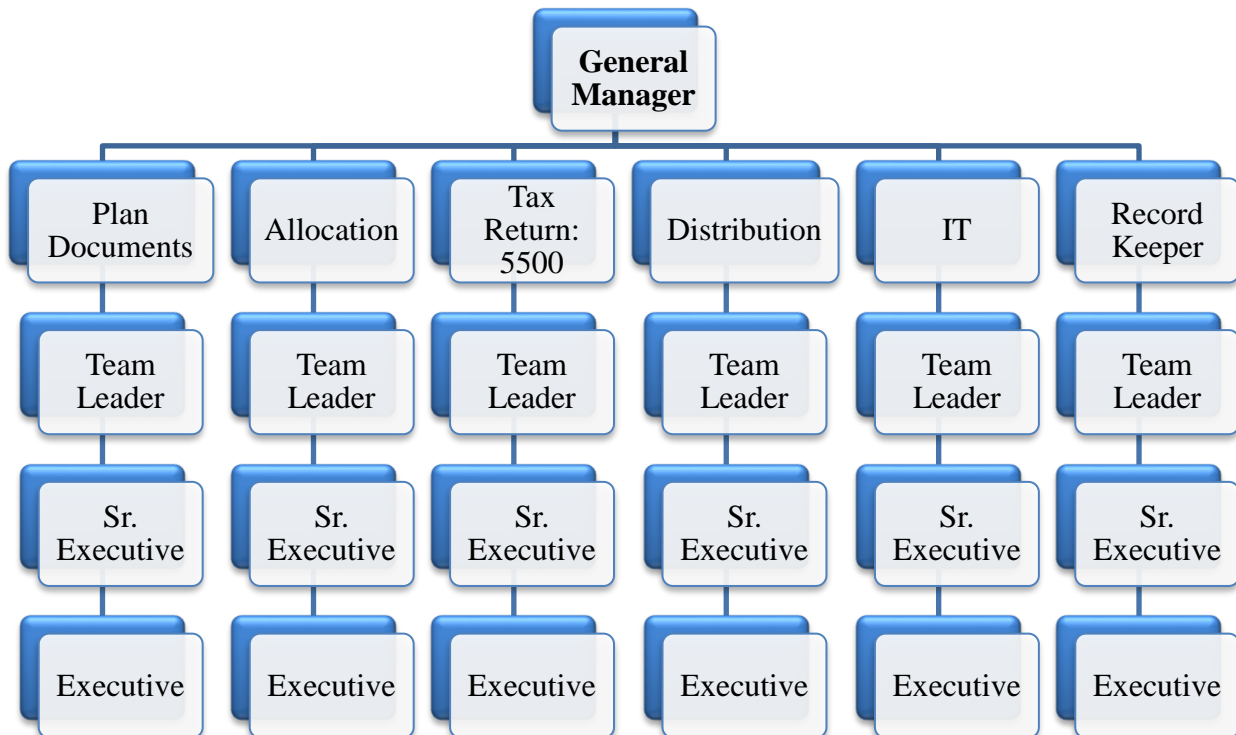
- Daily valuation of accounts
- Plan sponsor account access
- Quarterly participant statements

**Tax Compliance:** Data-path creates and provides standard tax return forms for all clients to satisfy the tax requirements of the US government. These tax services include:

- Form 5500
- Form 5330
- Form 1099R and form 94

### 2.1.5 Operations

**Structure:** Data-path follows a chain of structure for the particular operations. Different operations have different teams and organization structure.



**Figure 1:** Chain of operational department.

The Organization's operations are executed through different departments. Such as:

**Allocation Department:** The main task of the allocation department is to dispose the plan asset contributed by the members into workflow 5500.

**Business Process Outsourcing Department:** This department reviews and processes the plans suggested by the clients. This is the biggest department in the company. Most of the biggest clients are held by this department. This is the only department that doesn't work for July Business Services. Rather they work for other big TPAs like APCI, CRS, Tristar, Beacon etc.

**Accounting Department:** This department provides accounting services to the clients. They calculate the dollar charges for each work done and report it to the clients.

**Distribution Department:** The objective of this department is to disburse the account balance of each participant of the plan when retiring or transferring to another company. This kind of task is done by a particular software called Relius.

**Human Resource Department:** It is one of the most important departments of the company. They are responsible for recruiting the most suitable employees for the company and maintaining the suitable environment in the office.

**IT Department:** It is one of the core departments in Data-path. Since all of the work here is done using information technology, the right IT support is needed to prevent lag.

**Software Department:** The objective of this department is to keep the software that the employees work on bug free and smooth. So the department is always under pressure to keep the software updated.



**Sales Department:** This department is responsible for acquiring more clients and selling the services of the company.

### 2.1.6 SWOT analysis

#### Strengths:

- **Strong and effective training program:** Data-path follows a strong and effective training program to train the new employees to the fullest. The training program lasts 4 months where interns get high and intensive training to cope with the demand of the industry.
- **Friendly culture:** The whole company maintains a very friendly environment in the office to help the new comers to get comfortable in a short period of time. This helps create a strong bond between the colleagues which speeds up the work and make it fun.
- **Handsome pay scale and holidays:** The company compensates the workers above the pay standards of Bangladesh which makes the job very lucrative and enjoyable. Also, the company celebrates many holidays that help the employees get freshened up.

#### Weaknesses:

- **Slow communication with the clients:** One of the main weaknesses of the company is that the clients take a lot of time to respond to a question needed for the confirmation of certain calculations. This slows down the work of the company. Also, the software that the company works on is remotely connected. As a result, the servers are sometimes jammed, and the works get lagged behind the time schedule.
- **Training of the employees:** Since the company works according to the foreign laws, the new employees are not familiar with the laws. So, the training consumes a lot of effort and time which is also very costly for the company.

#### Opportunity:

- **Increasing demand of the industry:** Since the industry that the company works on is getting larger and larger, more and more clients are adding to the company. So, there is a chance that in a time span of 5 years the Data-path will become triple the size of the current situation.

- **Advancement of the technology:** As an outsourcing company, fresh graduates get trained to be very efficient and familiar with the new technologies. This creates the opportunity to compete with the other TPAs in the industry.

#### **Threats:**

- **Confidential information:** One of the major threats of the company is the leakage and theft of the information of the company. Since the company works with US clients and their financial accounts it will very much be lucrative to hackers to attack the servers and steal the valuable information of the company.
- **Competition:** Since the demand of the industry is increasing day by day, the number of competitions are also increasing. Data-path must maintain their high level of expertise and performance to be a competition in the industry. They will have to be on top of their competitors such as Fin Source, Quantanite etc.

## **2.2 Industry analysis**

### **2.2.1 Specification of the industry**

The industry that the company works on is an outsourcing based 401(k) industry. 401(k) is a retirement plan system approved by the US government which is governed by the ERISA Act 1974 and follows the rules of IRS.

### **2.2.2 Size, trend, and maturity of the industry**

The size of the industry is huge in the US since it is mandatory for every company in the US to adopt the 401(k)-retirement plan. So, the industry is quite large in size and vast in activities.

### **2.2.3 External economic factors**

The industry gathers a huge sum of money through retirement plan system and invests it in the market to keep the money rolling. As a result, the overall investment increases and the economy

gets stronger. There is a tendency in US citizens of not saving money for the future. So, the industry benefits them by saving a portion of their salary and investing it in the money market.

#### **2.2.4 Technological factors**

The increasing development of remote servers and software made it very easy to move this industry forward very efficiently. Many software such as DATAIR, Relius, ASC, FT William have been developed to ease the workload. So new technologies are being introduced every day and the industry has to be aware of it.

#### **2.2.5 Barriers to entry**

The entry of a company into this industry is quite hard as it requires a lot of skills and experience. Also, a huge capital investment is required to obtain the IT support needed to be in this line of work.

#### **2.2.6 Supplier Power**

The main supplier for Data-path are their clients who provide them the work of different companies from all over the US. TPAs like July Business Services, APCI, CRS have been providing them with different types of tasks for many years.

#### **2.2.7 Buyer Power**

The buyers of the services who provide the full and useful information to the company help the plan to be executed effectively with minimum difficulties. They also have to pay the costs of the services on time in order to get the work done cleanly.

#### **2.2.8 Threat of Substitutes**

Data-path initially works for July Business Services who provide them the works. There are a lot of countries with skilled population who will be performing well if they receive proper training.

So, if the performance drops a little low for Data-path it might risk them to be substituted by other companies.

### **2.2.9 Industry rivalry**

The main rivals of Data-path are the companies situated in Bangladesh who are also working in the same industry. Companies like Quantanite and Fin Source are the main 2 rivals for Data-path. So, the company must always be at the top of their game to hold a strong grip on their customers. Also, to attain long-term sustainability they must create a good long-term relationship with the clients.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Types of data and method**

There are 2 types of data:

1. Qualitative Data: Qualitative data are the data that are uncountable and can only be observed.
2. Quantitative Data.: Quantitative data are the data that is countable and numerical. All the data used and generated in Data-Path Ltd. are quantitative data since the company works with only numerical information.

There are 2 types of quantitative data:

1. Discrete Data: Discrete data are limited data. They can't be divided, and no decimals can be allowed. The discrete data used in Data-Path are such as the birth date, hire date, termination date, age, name, SSN etc. None of these data can be modified or changed.
2. Continuous Data: Continuous data are data that can be in any value or decimals. All the continuous data used in Data-Path are the financial information of different companies and individuals. They include information about compensations of employees, deferral and Roth made and employer match and profit share received, investment funded and reported in RK statements etc.

### **3.2 Data collection procedure**

All the data provided in the report were collected by maintaining extreme discretion and confidentiality. Since the industry works with highly classified information such as employee SSN, investment fields and account numbers, actual and projected income of different companies etc. So, not much useful information is found on the internet. Most of the data provided in the report are collected through experiencing the work field and getting practical and theoretical training from Data-Path Ltd. The tables and figures added in the report are some of the calculations done to reconcile previous incomes or to reevaluate the current/previous assets into a certain time in the future. The main sources of data are the Form 5500, Cycle 3 Plan Document, Investment Statements of Gain & Loss maintained by the record keepers and Payroll Registers maintained by the individual companies.

## **CHAPTER FOUR: INTERNSHIP EXPERIENCE**

### **4.1 Position, duties, and responsibilities**

#### **4.1.1 Position**

Joining Data-path Ltd. on September 1<sup>st</sup>, 2021 was a 4-month internship. At the moment the recruitment was for joining the BPO department. It is the biggest department in Data-path and the only department that doesn't work for the mother company. Rather it works for 17 others big TPAs.

#### **4.1.2 Duties and Responsibilities**

As per the policy of Data-path the 4-month long internship program is a very intensive training program. Through this hardcore training they evaluate the interns. This evaluation method is used to assess the capabilities of the interns and to make the decision whether to hire them or not. Data-path doesn't only provide internship; job opportunities also come with it if the interns intend to stay with the company for more than a year. It is a paid internship program, and the interns only get training throughout this period and don't add any value to the company. So, it is a big investment for the company to train up the interns to make them prepared for the actual work. So, the company always prefer keeping the interns because if they leave it is a loss for the company.

After joining as an intern in Data-path, the first day of appointment there was given a basic training of the IT departments and how they use the servers and personal emails. Then a pretty big training in MS Excel was done describing almost everything the company needs to work on MS Excel. Then the main part of the training started. The training was about Retirement Plan Fundamentals (RPF). During the first 17 days only, theoretical training was given on what the company actually does. Then some of the most complicated issues such as Software operating, Census checking, Trust accounting, and different types of discrimination testing was taught where they measure the degree to which the employees of a company are being compensated. These testing include ADP-ACP testing, Minimum Coverage Testing, Top Heavy testing etc. It was a great opportunity having learned the US government approved forms like Form 5500 that they use to submit financial activities of the company. The training covered the depth of report valuation, contribution

calculation, reconciling the total asset of a plan through the plan year, reconciling loans taken from the plan and many more theoretical and practical topics. After the 17 days of theoretical training on every aspect of the work they do, they provided the interns their personal desks with a PC and started to provide practical works for practicing the theories that were learned. The practice materials were their previously done work. So basically, all of their previous works were redone. The reason the practical training is so important is that a small mistake in the calculation can cost the company a huge sum. So, everything needs to be perfectly put. That's why they don't assign the interns with any new work. They only provide them old works to get accustomed with the US RPF industry. In addition, all the information they work on is absolutely confidential and must not be leaked. That's why any interns are not allowed to take any files to home with them.

#### 4.2 Contribution to departmental functions

Since interns don't do any actual work but training, they also get to add some value to the company as well. They review the previous works done by the company and report it to their superiors. The contributions they make to the department are given below:

**Table 1: DATAIR exported employee census**

SSN	Last Name	First Name	Age	Gender	DOB	Hire Date	Hire Date Orig	Term Date	DOP	Hours	EE Period	Plan Comp	SR Contrib
XXX-XX-XXXX	Brueckel	Helen	53	F	2/15/1968	11/1/1998	11/1/1998		1/1/2000	.	\$	35,805.00	\$ 3,447.05
XXX-XX-XXXX	Fitzpatrick	Keith	57	M	2/1/1964	9/1/1986	9/1/1986	7/10/2018	7/1/1998	.	\$	-	\$ -
XXX-XX-XXXX	Gangale	Scott R.	53	M	12/1/1968	3/20/2021	2/1/1994		3/20/2021	.	\$	13,956.83	\$ -
XXX-XX-XXXX	Grounds	Joan	70	F	3/4/1951	10/1/1997	10/1/1997		1/1/1999	.	\$	51,059.54	\$ 5,105.82
XXX-XX-XXXX	Hirsch	Johnathan	39	M	10/24/1982	8/24/2020	8/24/2020		1/1/2022	.	\$	29,236.82	\$ -
XXX-XX-XXXX	Lima	Tyler	22	M	6/25/1999	11/4/2019	11/4/2019		1/1/2021	.	\$	3,240.00	\$ -
XXX-XX-XXXX	Llewellyn Jr.	John	57	M	3/28/1964	8/28/2020	8/28/2020		1/1/2022	.	\$	24,105.34	\$ -
XXX-XX-XXXX	Lozano	William R	63	M	5/27/1958	5/20/2002	5/20/2002		7/1/2003	.	\$	16,718.94	\$ 1,874.20
XXX-XX-XXXX	Maronna	Anthony	80	M	10/16/1941	11/1/1987	11/1/1987		7/1/1998	.	\$	25,280.00	\$ 1,264.00
XXX-XX-XXXX	McKenna	Michael T	46	M	1/2/1975	4/22/2016	4/22/2016		7/1/2017	.	\$	40,578.74	\$ 1,725.00
XXX-XX-XXXX	McMillian	Darryl	51	M	2/16/1970	7/22/2021	7/22/2021			.	\$	560.00	\$ -
XXX-XX-XXXX	Metner Jr.	Allen	52	M	3/16/1969	4/22/2021	8/17/2016		1/1/2018	.	\$	17,892.49	\$ 550.00
XXX-XX-XXXX	O'Hare	Timothy	58	M	9/7/1963	12/5/2019	12/5/2019		1/1/2021	.	\$	42,752.67	\$ -
XXX-XX-XXXX	Raffo	Michael J	39		5/13/1982	9/23/2002	9/23/2002	10/21/2015	1/1/2004	.	\$	-	\$ -
XXX-XX-XXXX	Romano	David	28	M	12/15/1993	10/7/2020	10/7/2020		1/1/2022	.	\$	13,632.57	\$ -
XXX-XX-XXXX	Savino	Nicholas	38	M	10/20/1983	12/11/2020	12/11/2020		1/1/2022	.	\$	20,166.61	\$ -
XXX-XX-XXXX	Schroko	Richard	31	M	9/5/1990	7/13/2020	7/13/2020		1/1/2022	.	\$	8,933.78	\$ -
XXX-XX-XXXX	Scotti	Jordan	57	M	6/19/1964	7/10/2017	7/10/2017		1/1/2019	.	\$	915.00	\$ -
XXX-XX-XXXX	Stravitz	Gloria	68	F	12/29/1953	5/4/2020	5/4/2020		7/1/2021	.	\$	27,000.00	\$ -
XXX-XX-XXXX	Stravitz	Jarod	31	M	2/16/1990	6/25/2007	6/25/2007		7/1/2011	.	\$	24,583.16	\$ 500.00
XXX-XX-XXXX	Stravitz	Marnie	39	F	5/9/1982	8/1/1998	8/1/1998		7/1/2004	.	\$	45,570.00	\$ 2,278.29
XXX-XX-XXXX	Stravitz	Steven	68	M	8/17/1953	7/1/1979	7/1/1979		7/1/1998	.	\$	60,000.00	\$ 3,000.00
XXX-XX-XXXX	Suneet	Mishra	61	M	1/1/1960	3/20/2021	3/20/2021	3/25/2021		.	\$	959.36	\$ -
XXX-XX-XXXX	Tasman	Randy	68	M	7/28/1953	9/6/2006	9/6/2006		1/1/2008	.	\$	51,256.00	\$ 5,125.60
XXX-XX-XXXX	Trotman	Mark	56	M	4/14/1965	11/21/2016	11/21/2016		1/1/2018	.	\$	40,706.23	\$ 2,035.18
XXX-XX-XXXX	Umland	Curt	64	M	5/15/1957	9/1/1985	9/1/1985		7/1/1998	.	\$	95,399.73	\$ 2,861.84
XXX-XX-XXXX	Umland	Keith D	36	M	11/25/1985	1/1/2004	1/1/2004		1/1/2007	.	\$	54,583.53	\$ 1,637.40
										.	\$	744,892.34	\$ 31,404.38

### **4.2.1 Census Checking**

Census is the collection of employee information that includes the all the employees' social security number, first name, last name, age, date of birth, date of hire, date of termination, date of entry to the plan, year-end total compensation, employee contributions made, employer contributions received, job class, company ownership percentage, highly compensation status etc. Census checking is the first and foremost step that must be taken before starting the work. The main objective of this step is to find out the mistakes and mismatches and report it to the client. Before starting a plan, the client provides some files based on which the valuation is performed. The files they provide are the current year client census, year-end payroll report that includes gross compensation and employee contributions, record keeper statement that includes the amount actually funded and invested in the investment market and a plan document that has the instructions and formulas that the clients want in their plan valuation report. If the plan is effective for many years then it can also be found in the DATAIR software. Suppose, the valuation year is 2020. So the task is to download a 2019 census copy from DATAIR software. Then they match all the information given in the DATAIR census and the client census. If there is a mismatch of any sort it is found out and reported to the client for confirmation. In this part they also calculate vesting of the employees. Vesting shows how much money an employee is eligible to take when he quits or retires. Also, it is a must to check the payroll register reports and match the compensations given in the payroll and client census. So, as an intern census checking for approximately 150 plans were assigned and done and the superiors were quite satisfied.

### **4.2.2 Contribution calculations**

The main calculation part starts with the contribution calculations. This is where the calculations run on how much contribution an employee is eligible to receive from the employer. The main part of the calculation is to check how much the employee deferred. The maximum limit an employee can defer is indexed. It is 19,500 for 2020 and it was 19,000 in 2019. It changes through the years. Then they calculate the percentage of the deferral the employees made by dividing the compensation by the deferral amount. If the employee also made Roth along with deferral, then both deferral and Roth are added together to calculate total deferral percentage. Then the



percentage are sorted from smallest to largest in MS Excel and calculate employer match contribution according to the formula given in the plan document prepared by the client. One of the most basic and commonly used match formula is to give 100% match to those who have deferral percentage not more than 3% and extra 50% match to those who made more than 3% but not more than 5% of deferral percentage. To those who has a deferral percentage of more than 5% a straight 4% contribution of their compensation are given as employer match. Clients can ask for other formulas such as Safe Harbor Match (enhanced), Safe Harbor Match (basic) etc. All of these have different formulas but the calculations are the same. Normally all these calculations are done by the software. But it was one of the core duties to recheck the reliability of the software by calculating it manually and compare with each other.

### 4.2.3 Contribution Reconciliation

This is the step that comes after the contribution calculation part. Here reconciling the adjustments are made and outstanding receivables from prior year for every given employee are brought forward to the current year to calculate the total amount of fund an employee is entitled. In this section the prior year adjustments are added with the current year reported funds from the payroll maintained by the company throughout the year.

**Table 2:** Employee Elective Deferral contribution reconciliation

<i>Elective Deferral Reconciliation For the plan year ended on 12/31/2020</i>							
SSN	Last Name	First Name	2019 Adjustment	2019 Receivable	Match Funded in American Funds	2020 Reported Match	Year End (Overfunded)/Receivable
XXX-XX-XXXX	Mack	Caitlin	\$ -	\$ -	\$ 1,606.56	\$ 1,606.56	\$ -
XXX-XX-XXXX	Morris	Laura	\$ -	\$ -	\$ 6,000.00	\$ 6,000.00	\$ -
XXX-XX-XXXX	Heller	Chelsey	\$ -	\$ -	\$ 1,300.00	\$ 1,300.00	\$ -
XXX-XX-XXXX	Levitt	Sarah	\$ -	\$ -	\$ 1,560.00	\$ 1,560.00	\$ -
XXX-XX-XXXX	Bauman	Erica	\$ -	\$ -	\$ 306.15	\$ 204.10	\$ (102.05)
XXX-XX-XXXX	Muscato	Nathan	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Warren	Allison	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Brouckaert	Justin	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Ekici-Moling	Shenel	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Files	Erin	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Cooper	Margaret	\$ -	\$ -	\$ 3,984.43	\$ 4,014.43	\$ 30.00
XXX-XX-XXXX	Gates	Jennifer	\$ -	\$ -	\$ -	\$ -	\$ -
XXX-XX-XXXX	Johansen	Arlie	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,757.14</b>	<b>\$ 14,685.09</b>	<b>\$ (72.05)</b>

Next, the statements kept the RK who have been tracking the financial activities of the client are implied to check how much was actually funded and rolling in the investment market. There are many different RKs that track and invest the funds created by a company in the investment market. Some of the renowned RKs are VOYA, MASSMUTUAL, AMERICAN FUNDS, PRINCIPAL, JOHN HANCOCK and many more. Then the amount funded in the RK statement are subtracted from the payroll register amount to calculate the projected receivables/over funds for the next valuation year.



**Figure 2:** Investment Record Keepers (RK)

**Asset Reconciliation:** This is the last calculation part that needs to be done manually. It looks almost like a balance sheet where all the assets, liabilities, income and expenses are reconciled for a particular plan on a particular date. Normally this report is made on the last day of the valuation year. Here, the total asset consists of any loans that is still outstanding, current year receivables that is to be carried forward to the next year, and the ending total balance of the prior year. Then subtraction is done for all the payables such as any overfunds that need to be refunded or any adjustments that need to be made. In the expense there are fees and withdrawals that were made from the plan assets. The incomes are the total gain/loss from the investment market and interest earned from the given loans. In the end the year end value is computed that needs to match the ending value recorded in the RK statement.

**Table 3: Simplified Form 5500 of Asset Reconciliation**

Plan Name: <b>Company Name</b>				
Period: <b>Valuation Year</b>				
<b>Assets</b>			(a) Beginning of Year	(b) End of Year
a	Cash.....	27a		
b	Receivables.....	27b		(72.05)
c	Investments:			
(1)	US Government Securities.....	27c(1)		
(2)	Corporate debt and equity instruments.....	27c(2)		
(3)	Mutual Funds.....	27c(3)		
(4)	Loans to participants:			
	A Mortgages.....	(4)A		
	B Other.....	(4)B		
(5)	Other.....	27c(5)		
(6)	Total investments. Add lines 27c(1) -27c(5).....	27c(6)		
d	Buildings and other property used in plan operations.....	27d		
e	Other assets..... <b>Insurance or Trust Company Assets</b>	27e	62,065.74	84,797.39
f	Total assets. Add lines 27a, 27b, 27c(6), 27d and 27e.....	27f	62,065.74	84,725.34
<b>Liabilities</b>				
g	Payables.....	27g		
h	Acquisition indebtedness.....	27h		
i	Other Liabilities.....	27i		
j	Total liabilities. Add lines 27g through 27i.....	27j	-	-
k	Net assets. Subtract line 27j from 27f.....	27k	62,065.74	84,725.34
<b>Income</b>			(a) Amount	(b) Total
a	Contributions received or receivable in cash from:			
(1)	Employer(s) (incl. contribs of behalf of self-employed indiv.).....	28a(1)		
(2)	Employees.....	28a(2)	14,685.09	
(3)	Others..... Rollover	28a(3)		
(4)	Add lines 28a(1) through 28a(3).....	28a(4)	14,685.09	
b	Noncash cont. Enter total of lines 28a(4) and lines 28b in col. (b).....	28b		14,685.09
c	Earnings from investments (interest, dividends, rents and royalties).....	28c		
d	Net realized gain (loss) on sale or exchange of assets.....	28d		1,700.43
e	Other income (specify)..... Unrealized appreciation of assets	28e		9,105.83
f	Total income. Add lines 28b through 28e.....	28f		25,491.35
<b>Expenses</b>				
g	Distribution of benefits and payments to provide benefits:			
(1)	Directly to participants or their beneficiaries.....	28g(1)	2,676.75	
(2)	Other.....	28g(2)		
(3)	Total distribution of benefits and payments to provide benefits.....	28g(3)		
h	Admin. expenses(salaries, fees, commissions, insurar Fee	28h		155.00
i	Other expenses(specify).....	28i		
j	Total expenses. Ad dlines 28g through 28i.....	28j		2,831.75
k	Net income (loss). Subtract line 28j from line 28f.....	28k		22,659.60

### **4.3 Evaluation**

The evaluation is done throughout the whole internship period. The evaluation process consists of some core working activities and some behavioral characteristics. The working activities are mainly the capability of understanding and coping with the works done in this industry. It testifies how well one understands the work and does it without making any mistakes. Also, they require to be capable of working on any field of the industry such as the main business process or other side projects. Although each person is assigned to do a particular task but they are all required to learn every sort of work done by the company so that one can take another one's place in times of need. The behavioral activities are such as good manners, good adaptability, high tolerance, well-disciplined and well tongued etc. Every act or behavior is noticed for the interns.

### **4.4 Skills applied**

The main skill that the interns get the chance to apply is the MS Excel skill that comes very handy in this company. Since almost 80% of the work is done on excel, it really helps the interns to adapt very quickly to the environment. Also, individually it was a great chance to apply some of the MS Word skill too to create charts and graphs and write emails to the clients.

### **4.5 New skills developed**

When getting the practical training from the company the Excel skills gathered got cemented further. It was a great opportunity to learn more complicated functions and formulas that was previously unknown. Also, the training on different software that were previously unknown such DATAIR, ASC, Relius, FT William etc. helped a lot for further works.

### **4.6 Application of academic knowledge**

Since Data-path is an outsourcing based company most of the academic knowledge was not used. But still some crucial use of the accounting knowledge was made while working on a particular task. For example, the asset reconciliation of a plan is almost similar to a balance sheet and the total account balance was similar to a ledger for a given employee. So, it was found very easy to understand and catch the new business processes.

## CHAPTER FIVE: CONCLUSIONS AND KEY FACTS

### 5.1 Recommendations for improving departmental operations

**Easy Training Process:** In Data-path the newly hired interns receive almost 20 days of theoretical training to understand their work. But since the industry they work on is a very completed one the period and method of training could be revised. For instance, they should decrease the theoretical training period and add more to the practical training. Because it is much more effective to learn more by doing the work than reading about it.

**Improving the Servers and Software:** As an out-sourcing based company, all the work done and cooperated by Data-path is through the remote software such as DATAIR, ASC, Relius etc. So, it is very important to keep the software and the servers well developed and maintained. It has become very common that a software gets bugged and freezes couple of times during a work which is very risky for the work they do. The company also does a huge amount of work through some crucial servers such as FT-William and Mid-Atlantic Trust. So, the internet and VPN convertibility is very important. For example, when working on the Mid-Atlantic servers, it is not possible to reverse any mistakes or unfinished work. So, if the connection gets lost or broken in the middle it will very much hamper the work.

**Office Space:** One of the major recommendations for the company would be to increase the office space. The company is getting larger day by day and the number of their clients are increasing at a speedy rate. As a result, new hires are coming almost every month. To accommodate this huge number of workers they need more space, desks, computers etc. Currently the company has hired 2 more floors in the building but it is still not enough.

### 5.2 Key understanding

The main understanding from the report is to know how Data-path is running its operations through its BPO department which is getting larger and larger day by day. Data-Path Ltd is one of the largest companies in Bangladesh working in the 401(k) industry. It is initially the sub-company July Business Services which is the mother company of Data-Path. July Business Services is a

third-party administrator (TPA) that creates and maintains the 401(k) policy of client companies in USA. Most of this work requires skills and time which is very costly for all the TPAs such as July Business Services. As a result, they prefer to outsource the work from other countries with lower wage standards. At first Data-Path only used to work for July but other TPAs also offered to work with them. There are many big TPAs such as Associate Pension Consultants Inc., CRS, Trister, Human Interest, Beacon Benefits, Mid Atlantic Trust Company and many more. Data-Path occupies with all the above mentioned TPAs and many more. Since 401(k) is US government approved pension policy, almost every company in the US tends to adopt it. So, the demand and competition in the industry is very high. According to this policy, companies get tax benefits by adopting the 401(k)-pension plan and get to invest a large sum of money in the investment market and profit from it. Data-Path on behalf of July Business Services, creates, processes and maintains all the 401(k) plans of various companies in the US. There are different departments for different type of tasks. The sales department gathers and advertises the services provided by July to other clients, Plan Administration department processes the plans acquired from July, Team 5500 fills up the government forms required for tax exemption, Team ERISA works with the changes in the policy and plans. BPO is the only department in Data-Path who doesn't work directly for July. Rather they directly handle some of the biggest clients held by July and operate separately. As an intern, it was a huge opportunity to work in this industry that helped get accustomed with foreign accounting rules and formats and mostly with the actuarial profession.

### **5.3 Conclusion**

There are several outsourcing organizations in Bangladesh, but none compare to Data-path because it is entirely focused on the USA retirement plan. July Business Services is receiving nonstop services from Data-path, and the clients are very pleased. The company began with only five employees in 2005 and has now grown to over 350 people, with more on the way. They want to be at the top of the outsourcing sector as a BPO. The industry is expanding and getting more competitive in all areas. The corporation wants to grow even bigger, so they're employing additional interns and attempting to turn them into assets. It was attempted to highlight the whole BPO department in this report, as indicated above. Despite the fact that due to secrecy, not all useful information is shared. It can't be argued that BPO is the company's largest and most

significant department, and it is growing by the day. Customers of BPO are pleased since the company is committed to upholding its fundamental values and providing excellent service to its valued clients.

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