

A New Series of Reporting Options for Service Organizations

As the demand for SAS 70 reports grew beyond its intended scope and purpose, the AICPA recognized there is not a one-size-fits-all approach for service organizations. As a result, the AICPA released a new series of reporting options called *Service Organization Control Reports* (SOC). Under the SOC reporting approach, users of service organizations can expect to receive reports that are better aligned with their needs and will gain comfort that controls at the service organization are adequate to protect their business interests.

A brief description of the three SOC reports that Warren Averett offers is outlined below:

- **SOC 1** reports examine controls at a service organization that are relevant to a user entity's internal control over financial reporting. This engagement is performed under the new Statement on Standards for Attestation Engagements, SSAE 16 – *Reporting on Controls at a Service Organization*. The SOC 1 report is equivalent to the former SAS 70 and requires the same level of evidence and assurance. There are two types of SOC 1 reports; a Type 1 covers one point in time while a Type 2 covers a period of time and includes an assessment of the operating effectiveness of controls. Use of this report is restricted to management of the service organization, user entities, and user auditors.
- **SOC 2** examinations are intended to meet the needs of a broad range of users that need to understand internal controls at a service organization as it relates to security, availability, processing integrity, confidentiality, and privacy – areas not covered by an SOC 1. SOC 2 reports are generally restricted and intended for use by stakeholders such as management of user entities, regulators, business partners, suppliers, and others who have an understanding of the service organization and its controls. SOC 2 reports are also prepared as a Type 1 or Type 2 report.
- **SOC 3** reports are Trust Service examination reports that can be freely distributed and publicly promoted with the AICPA SOC 3 seal on a service organization's website. They address the same subject areas of an SOC 2 report, but the primary difference is that an SOC 3 report does not include a description of the service organization's system nor does it contain any information on testing. It simply provides the auditor's opinion on whether the service organization maintains effective controls over its systems. SOC 3 reports are designed for entities that maintain or process electronic consumer data through e-commerce, software as a service (SaaS) solutions, and other electronic systems.

To learn more, contact our consulting professionals by calling (205) 979-4100.