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A New Series of Reporting Options for Service Organizations – The brand new "SAS 70"

Many service organizations and other entities are familiar with SAS 70 reports — reports prepared following the CPA profession's Statement on Auditing Standards No. 70, Service Organizations. Innovations in technology and the increasing use of outsourcing have led to these reports being used in ways that were never intended. Specifically, SAS 70 engagements were not designed to examine compliance and operational issues, such as security, availability, processing integrity, confidentiality or privacy. Moreover, "SAS 70 Certified" and "SAS 70 Compliant" were terms that gained traction in the marketplace, but in actuality were not part of a SAS 70 report.

However, the American Institute of Certified Public Accountants recently released a new series of reporting options, called SERVICE ORGANIZATION CONTROL REPORTS℠, that enables CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace's need to demonstrate reliability and mitigation of risk. They are called SOC 1℠, SOC 2℠ and SOC 3℠ reports.

Here are brief descriptions of the three new SOC reports:

- A SOC 1℠ report results from an engagement under a new Statement on Standards for Attestation Engagements, SSAE 16 – Reporting on Controls at a Service Organization. SSAE 16 examines internal controls at a service organization that impact a user entity's controls over financial reporting. This report is to be used only by auditors of user organizations and the management of user entities. SSAE 16 requires the same level of evidence and assurance expected under the former SAS 70 service auditor engagement. It essentially fills the role of a SAS 70 report as it was originally intended.

- SOC 2℠ reports provide detail on controls at a service organization covering security, availability, processing integrity, confidentiality or privacy. Its use is generally restricted to certain identified users who, among other things, have some knowledge of the nature of the services that the service organization provides. The SOC 2℠ report can offer greater assurance to customers and stakeholders about internal controls in areas that were not meant to be covered by a SAS 70 report.

- SOC 3℠ reports are Trust Service examination reports. They address the same subject areas as a SOC 2℠ report, but in a shortened version (about one page, in fact) that can be used in a service organization's promotional efforts and on its website. SOC 3℠ reports can serve as a marketing tool, with potential customers for instance, to show the organization has appropriate controls in place to mitigate risks on the nonfinancial subject matters.

Depending on the needs and requirements, as SSAE 16 is now effective, service organizations have now the option to choose from all three reporting options, including those covering controls over security, availability, processing integrity, confidentiality or privacy.

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