SSAE 16 SOC 1 Reports

Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting (ICFR).

ABOUT SSAE 16 SOC 1 REPORTS

SOC 1 Reports, which have effectively replaced SAS 70 reports, will be prepared in accordance with *Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization*. SOC 1 reports retain the original purpose of SAS 70 by providing a means of reporting on the system of internal control for purposes of complying with internal control over financial reporting. SOC 1 reports are restricted use reports, which means the use of the reports are restricted to:

- Management of the service organization (the company who has the SOC 1 performed),
- User entities of the service organization (service organization's clients), and
- The user entities' financial auditors. The report can assist the user entities' financial auditors with laws and regulations such as the Sarbanes-Oxley Act. A SOC 1 enables the user auditor to perform risk assessment procedures, and if a Type II report is performed, to assess the risk of material misstatement of financial statement assertions affected by the service organization's processing.

For reports that are not specifically focused internal controls over financial reporting, the AICPA has issued an Interpretation under AT section 101 permitting service auditors to issue reports. These reports will now be considered SOC 2 or SOC 3 reports and focus on controls at a service organization relevant to security, availability, processing integrity confidentiality, or privacy. In the past, SAS 70 reports encompassed financial reporting controls, operational controls, and compliance controls.

The AICPA has outlined essential elements that must be incorporated in the SOC 1 report:

- Service auditor's opinion
- Management's assertion letter
- A description of the service organization's system
- Service auditor's tests of controls and results of tests (Type II report only)
- Other supplemental information not covered in other sections

As with SAS 70 reports, both Type I and Type II reports can be issued:

- Type I – a Type I is a report on policies and procedures placed in operation as of a specified point in time. SSAE 16 Type I Reports evaluate the design effectiveness of a service provider's controls and then confirms that these controls have been placed in operation as of a specific date.
- Type II – a Type II is a report on policies and procedures placed in operation and tests of operating effectiveness for a period of time. SSAE 16 Type II Reports include the examination and confirmation steps involved in a Type I examination plus include an evaluation of the operating effectiveness of the controls for a period of at least six

calendar months. Most user organizations require their service provider to undergo the Type II level examination for the greater level of assurance it provides.

ABOUT US

SSAE 16 Professionals is one of the nation's leading firms focusing solely on SSAE 16 reports, SOC 2 reports, SOC 3 reports, and SSAE 16 Readiness Assessments. Each of our professionals has over 10 years of relevant experience at "Big 4" and other large international or regional accounting firms. Unlike many larger audit firms, with SSAE 16 Professionals, you are guaranteed to receive one-on-one attention from one of our partners. Each professional is certified as a CPA (Certified Public Accountant), CISA (Certified Information Systems Auditor), CIA (Certified Internal Auditor), CISSP (Certified Information Systems Security Professional), and/or MBA (Master of Business Administration).

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