Service Organization Control Reports (SOC 1, 2 and 3)

Overview: Since 1992, Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, has been the standard used to report on controls in place at service organizations. Over the past decade as outsourcing and the use of service organizations and cloud computing facilities increased, so have the concerns related to compliance, privacy and security issues at these service organizations. As a result, the framework surrounding the SAS 70 report has been revised under Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization,* to provide more reporting options to address the needs of various users. This new framework became effective for reporting periods ending on or after June 15, 2011.

New Report Options: Under the new Service Organization Control (SOC) reporting framework, there are three basic reports available:

- SOC 1 – Much like the SAS 70 reports, the SOC 1 report focuses solely on controls at a service organization that are likely to be relevant to an audit of a user entity's financial statements. **The SOC 1 reports will most likely be used by an entity's accounting department and its internal and external auditors.**
- SOC 2 – An SOC 2 report specifically addresses one or more of the following five attributes: 1) Security, 2) Availability, 3) Processing Integrity, 4) Confidentiality, and 5) Privacy. These attributes are closely aligned with the key areas outlined in the FFIEC's Information Security Booklet. **SOC 2 reports may be used by bank management as part of its due diligence and vendor management processes with regard to selecting and evaluating third-party vendors and certain outsourcing arrangements.**
- SOC 3 – The SOC 3 report is a general use report which, like the SOC 2 report, also addresses controls over security, availability, processing integrity, confidentiality and privacy. However, the SOC 3 report does not include all of the details included in an SOC 2 report. **These reports can be used by the service organization for marketing and sales purposes where the details included in an SOC 2 report are not needed. The SOC 3 framework also permits the service organization to display a seal or logo on its website as an indicator of a satisfactory report.**

Types of Reports: Like the predecessor SAS 70 reports, there are two types of reports available for the SOC 1 and SOC 2 reports:

- **Type I** – Includes an opinion on whether the system description is fairly presented and whether the controls are adequately designed.
- **Type II** – Includes the same opinions as a Type I report, but also includes an opinion on whether the controls were operating effectively, a description of the service auditor's tests of operating effectiveness, and the results of those tests.

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SERVICE ORGANIZATION CONTROL REPORTS (SOC 1, 2 & 3)

THE NEW SAS 70 REPORTS

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