
SAS 70 TO SSAE 16

The Transition from SAS 70 to SSAE 16

Many service organizations use Statements on Auditing Standards (SAS) No. 70 to provide a report describing their internal business processes and controls over information technology, financial reporting and operational activities that are relevant to user organizations' audited financial statements. This audit has provided service organizations a way to offer transparency of information with open auditing of customer-related records to exceed their customers' expectations. In April 2010, the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board announced the release of Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization. This new standard will replace SAS 70 for the service auditor.

SSAE 16 provides guidance for service organizations to disclose their business control activities and processes to their customers and to their customers' auditors in a uniform reporting format that is aligned with international service organization standards. The SSAE 16 standard must be used for any service auditor report for periods ending on or after June 15, 2011. This means, SAS 70 reports will no longer be issued for an organization when its test period ends on or after June 15, 2011.

With the release of SSAE 16, the AICPA rebranded service organization reports, previously known as SAS 70. The new reports, which cover the requirements for SSAE 16, will be known as Service Organization Control (SOC) 1 reports. Similar to the SAS 70, there is a Type 1 and Type 2 SOC 1 report.

SOC 1 Type 1

A report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date.

SOC 1 Type 2

This report is the same as a Type 1 report, but also includes:

1. The service auditor's opinion on the operating effectiveness of the controls over a specific period of time, generally anywhere from 6 to 12 months, depending on the circumstances of the service organization, and
2. A description of the service auditor's test of the operating effectiveness of the controls and the results of those tests.

With the transition to the SSAE 16 standard and a SOC 1 report, there are some key changes for organizations that currently receive a SAS 70 to be aware, including:

Management Assertion

A new requirement for a SOC 1 report is for the service auditor to obtain a written assertion from management about the fair representation of the description of the service organization's system, the suitability of the design of the controls, and for Type 2 reports, the operating effectiveness of the controls. In the past, the auditing organization provided its opinion, however, with SSAE 16, the management group of the service organization also needs to provide a written assertion.

Report Use

Like a SAS 70, a SOC 1 report is restricted to the service organization client, existing user entities and user auditors in circumstances when the service organization's services and controls affect the internal control over financial reporting (ICFR). The AICPA has also established two other reporting options: SOC 2 (Report on Controls at a Service Organization Relevant to Security, Availability, Processing, Integrity, Confidentiality or Privacy) and SOC 3 (Trust Services Report for Service Organizations) to

address controls at the service organizations that relate to operations and compliance and not ICFR.

Suitability of Design of Controls Covers the Entire Period

Under the SOC 1 (SSAE 16) reporting guidance, the suitability of the design of the controls covers the entire period of testing for operational effectiveness. Under a SAS 70 report, the system description was for a specific point in time, rather than for a certain time period.

Why the changes?

SSAE 16 was issued with the intention and purpose of replacing SAS 70 with an attestation standard that includes the requirements and guidance for a service auditor reporting on controls at a service organization, relevant to user entities' internal controls over financial reporting which has been aligned with the International Standard on Assurance Engagements (ISAE) 3402, Assurance Reports on Controls at a Service Organization.

In addition, SAS 70 has been renamed Audit Considerations Relating to an Entity Using a Service Organization, and clarified to include the requirements and guidance for auditing the financial statements of entities that use service organizations.

For more information regarding SAS 70, SSAE 16, SOC 1, SOC 2 or SOC 3, contact your Eide Bailly professional.



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