SOC 1 | SOC 2 | SOC 3

In June 2011, the American Institute of Certified Public Accountants (AICPA) completely overhauled reporting on service organization controls engagements, replacing the SAS 70 with three types of Service Organization Control (SOC) reports. This SOC framework addresses the growing dynamics and changing complexities of service organizations and the related reporting regarding their internal controls.

SOC 1

The SOC 1 report attests that a service organization is maintaining systems and internal controls relevant to its clients' internal controls over *financial reporting* (e.g. payroll, investments). The report is restricted to the management of the service organization, its user entities' management, and auditors of user entities.

SOC 2

The SOC 2 report provides assurance as it relates to the AICPA's *five trust service principles and their corresponding criteria*. The report is restricted to management, regulators, business partners, and suppliers, among others. A SOC 2 report can be issued on a single trust service principle or a combination of the following:

- **Security** – The system is protected against unauthorized access (both physical and logical).

- **Availability** – The system is available for operation and use as committed or agreed.

- **Confidentiality** – Information designated as confidential is protected as committed or agreed.

- **Processing Integrity** – System processing is complete, accurate, timely, and authorized.

- **Privacy** – Personal information is collected, used, retained, disclosed, and disposed of in conformity with the commitments in the entity's privacy notice and with criteria set forth in generally accepted privacy principles (GAPP) issued by the AICPA and the Canadian Institute of Chartered Accountants (CICA).

Two types of SOC 1 & SOC 2 reports exist; they are:

Type1: Reports on management's assertion and description of controls along with auditor's opinion regarding the suitability of the design of and implementation of the controls to achieve the objective or criteria – as of a specific date. Note: While an opinion is rendered on the design of the stated controls, no actual testing of operating effectiveness is conducted.

Type 2: Reports on management's assertion and description of controls and an auditor's opinion on the description and suitability of the controls to achieve the objectives or criteria and testing the operating effectiveness of those controls throughout a *specified period*.

SOC 3

Much like the SOC 2 report, a SOC 3 report is also based on the AICPA's *five trust service principles and their corresponding criteria.* All applicable trust services criteria for the principle for which the report is derived, as well as certain other conditions, must be met. A SOC 3 report is a general use report and can be used for marketing purposes. Management of a service organization may consider engaging a service auditor to perform a SOC 2 and SOC 3 engagement to meet the needs of existing clients and market their services to prospective clients. Service organizations that qualify can post a seal showing that they have a 'clean' SOC 3 report.

ABOUT AUDITWERX

Auditwerx specializes in SOC 1, SOC 2, and SOC 3 attestation services. Auditwerx delivers quality, in-depth SOC reports while providing personalized results to help service organizations grow their business. As a division of Carr, Riggs & Ingram (CRI), one of the top 20 largest CPA firms nationally, Auditwerx now delivers the resources, skills, and experience of a super-regional firm while maintaining the accessibility and attention of a boutique firm.

Do you have questions about which SOC report(s) you need? *Watch our video to find out.*