



PROVIDING GUIDANCE ON SYSTEM AND ORGANIZATION CONTROL (SOC) SERVICES

Companies today are increasingly using external service providers (service organizations) to perform key business functions. As a result, there is a greater need for transparency in the operations and internal controls of these service organizations. Warren Averett's SOC reports are tailored to ensure external service providers receive the highest level of assurance over the effectiveness of their internal controls. We work with service providers to understand the requirements of their stakeholders and customers to determine the right solution to meet their needs.

Technical Competency + Solid Relationships =
HASSLE-FREE SOLUTIONS

The American Institute of Certified Public Accountants (AICPA) has identified different categories of SOC examinations: SOC 1, SOC 2, SOC3, SOC for Cybersecurity and SOC for Supply Chains reports. The Statement on Standards for Attestation Engagements (SSAE) No. 18 is the attestation standard under which SOC engagements are performed. The following is an overview of each category:

SOC 1® EXAMINATIONS

SOC for Service Organizations: ICFR

SOC 1 examinations focus solely on a service organization's controls that are likely to be relevant to their customer's Internal Controls over Financial

Reporting (ICFR). Common examples of service organizations that would be candidates for a SOC 1 include claims processors, payroll processors, retirement recordkeeping services, actuary services and many others that provide outsourced services.

SOC 2® EXAMINATIONS

*SOC for Service Organizations:
Trust Services Criteria*

SOC 2 examinations follow Trust Services Criteria established by the AICPA to address demands in the marketplace for assurance over non-financial controls as they relate to the five Trust Services Categories of security, confidentiality, processing integrity, availability and privacy. SOC 2 reports are required to cover the security category (or common criteria) and other relevant categories can be added as applicable. These criteria are aligned with the COSO Internal Control – Integrated Framework (2013) principles.

TYPES OF SOC 1 AND SOC 2 REPORTS

Both SOC 1 and SOC 2 have two types:
Type 1 and Type 2

- **Type 1** – Type 1 reports describe the service organization's description of controls at a specific point in time. They do not include any tests of

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operating effectiveness, making them limited-use reports. They are most commonly used as first year SOC reports.

- **Type 2** – Type 2 reports not only include the service organization's description of controls, but they also include tests of operating effectiveness. These reports generally cover a minimum of a six month period (although most are annual reports). The Type 2 offers the highest form of assurance of the SOC reports.

SOC 3[®] EXAMINATIONS

SOC for Service Organizations: Trust Services Criteria for General Use Report

Similar to a SOC 2 report, the SOC 3 report addresses the AICPA Trust Services Criteria relevant to the categories of security, confidentiality, processing integrity, availability and privacy. A SOC 3 is primarily performed for e-commerce service organizations, such as online retailers, who perform transaction processing over the Internet. The report is a general-use report that usually includes a public seal over the website or software.

SOC FOR CYBERSECURITY

With the increasing pressure to demonstrate the management of threats from cybersecurity, organizations have to be able to show processes and controls related to detection, remediation and recovery from such security events. The AICPA has developed this risk management reporting framework, complete with descriptive criteria that allows senior management, boards of directors, analysts, investors and business partners to gain a better understanding of an organization's efforts around protecting against cybersecurity risks.

SOC FOR SUPPLY CHAIN

These examinations also address the AICPA Trust Services Criteria relevant to the categories of security, confidentiality, processing integrity, availability and privacy. The reports are designed to give manufacturers, producers, and distribution

companies assurance over the controls of their supply chains to assist in evaluating the associated risks of doing business with the suppliers. The reports also assist supply chains with effectively communicating the controls they have in place over production and distribution risks in their systems.

READINESS ASSESSMENTS

Since it is not in the best interest of our clients to have a System and Organization Controls examination performed prematurely, we offer readiness assessments that assist management in assessing their company's readiness for a SOC examination.

WE PROVIDE SOC SERVICES FOR CLIENTS IN INDUSTRIES SUCH AS:

- Wealth management/brokerage firms (which includes a trust component)
- Bond portfolio accounting and safekeeping companies
- Retirement and benefit plan administration firms
- Banks with correspondent banking services and funds/cash management aspects
- Insurance and various claims administration companies
- Various outsourced administrative service companies (e.g., payroll, employee leasing, etc.)
- Law firms
- Professional Employer Organization (PEO)

To learn more about our System and Organization Control Services and how we can help your business, call us at 205.460.3983 or visit our website at www.warrenaverett.com.

"We have worked with Warren Averett on our SOC for the past several years. They have done a great job every year, providing exceptional service in a professional manner. Warren Averett has consistently assisted in enhancing our internal controls, which has helped improve both our efficiency and our business."

— Cindy Watson, Stifel