



PROVIDING GUIDANCE ON SYSTEM AND ORGANIZATION CONTROL 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 and SOC 3 reports. The following is an overview of each category:

SOC 1[®] EXAMINATIONS (SSAE 18)

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. Common examples of service organizations that would be candidates for an SOC 1 include claims processors, payroll processors,

retirement recordkeeping services, actuary services and many others that provide outsourced services for which the controls are relevant to the user's internal controls related to financial reporting.

SOC 2[®] EXAMINATIONS (AT 101)

SOC for Service Organizations: Trust Services Criteria

Instead of focusing on financial reporting, SOC 2 examinations follow Trust Services criteria established by the AICPA, which includes security, confidentiality, processing integrity, availability and privacy. SOC 2 reports are required to cover at least one of these Trust Services criteria. These criteria are integrated with the COSO Internal Control – Integrated Framework (2013) principles.

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.

(continued)

SOC 3[®] EXAMINATIONS

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

Similar to an SOC 2 report, the SOC 3 report addresses one or more of the AICPA Trust Services Principles and criteria related to security, confidentiality, processing integrity, availability and privacy. An 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.

TYPES OF SYSTEM AND ORGANIZATION CONTROL REPORTS

In addition to the categories of System and Organization Control reports above, there are two types of each report:

- **Type I** – Type I reports describe the service organization's description of controls at a specific point in time. They do not include any tests of operating effectiveness, making them limited-use reports. They are most commonly used as first year SOC reports.
- **Type II** – Type II SOC reports not only include the system and 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 II offers the highest form of assurance of the SOC reports.

READINESS ASSESSMENTS

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



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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 (PEC)

To learn more about our System and Organization Control Services and how we can help your business, call us at 205.769.3251 or visit our website at www.warrenaverett.com.

"We have worked with Warren Averett on our SOC for the past six 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