SOC lessons learned:

Effectively communicating your control environment

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Since the introduction of new control reporting standards, we have identified various lessons learned in working with our clients, related to service organization controls (SOC) reports. This article focuses on several items that may be beneficial as your organization considers a future SOC report.

Do your clients understand the various SOC report options?

The marketplace is still requesting SAS 70 reports, which is the prior standard replaced by the SOC 1 or SSAE 16 standard. Thus, SAS 70s are impossible to provide today. There is still confusion and a lack of knowledge of the various SOC reports (SOC 1, 2 or 3), and which is the appropriate report for an organization's needs.

We find it helpful to ask deeper questions about the customer's concerns to truly understand the type of control assurance (i.e., the type of SOC report) they are seeking. For example, if your customer is concerned over the security of data that your company is storing, then a SOC 2 report covering the security principle would be the appropriate report, versus a SOC 1.

Greater demand for controls assurance

We have seen more and more demand for controls reporting, especially the SOC 2 report. If your organization is providing, or plans to provide, services to other large businesses, expect to receive requests for a controls report. We recommend reviewing your organization's business strategy to determine if a SOC report would be an appropriate investment for your future client base or a way to differentiate your organization from competitors.

Do you receive questionnaires or requests for vendor audits?

If you are spending time completing many different control questionnaires for your customers or a customer requests to audit your facility, a SOC report may provide greater value. We have found that much of the information requested within these questionnaires or the scope of the audits cover the same topics found within a SOC 2 report. Providing such a controls report may reduce your personnel's efforts spent completing multiple questionnaires or responding to multiple client audits. In addition, a SOC report provides greater assurance and transparency for your customers.

Preparation is key

If your organization has decided to complete a SOC report, we highly recommend that you spend the time and effort necessary to prepare for a future report. From our experience, when companies do not prepare for the SOC engagement and complete the report immediately for a key client request, there is a higher probability of control design or operating effectiveness issues having an impact on your report. Your report is a window into your organization and you want it to appropriately reflect your operations.

Updates to the AICPA Principles and Criteria

The AICPA issued an exposure draft for the Trust Services Principles and Criteria on July 30 that will change the current structure of the various criteria. In response, if you currently perform a SOC 2 or 3 report, you should map your existing controls to the suggested criteria to ensure your organization has controls designed to meet the guidelines.

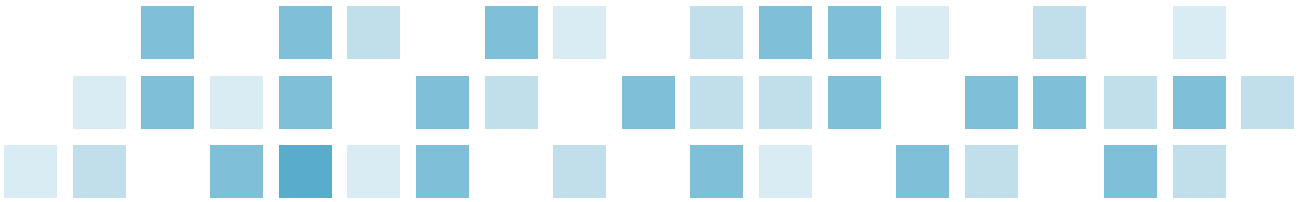
If you do not currently have a SOC 2 or 3 report, but you're starting to prepare for a future report (periods ending on or after March 15, 2014), we recommend utilizing the new criteria within the exposure draft.

Summary

If your organization has received a request to complete a SOC report, spend the necessary time to understand your customer's specific needs to ensure that you provide the appropriate report. Your organization should prepare for the future SOC report to enhance the probability for a successful engagement. As the new reporting standards continue to mature, there will be other lessons to be learned, which we will communicate as they are observed in the market.

For additional information on SOC reports, refer to the following white papers:

- Which SOC controls report is right for your organization?
- Service organizations control reporting: Going beyond financial reporting



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