

# SOC 1 Reporting Services

As a service provider, obtaining an annual assessment of internal controls over your key services demonstrates your commitment to meeting not only regulatory mandates, but also meeting your clients' requirements and expectations. Your clients and prospects need to be confident that your organization provides services meeting their internal control needs over relevant financial reporting considerations. An independent assessment of your organization's controls achieved through annual assessments can provide the proper assurances to your clients of sound control environments and security practices.

SOC 1 engagements are detailed examinations of the internal controls of a service organization. The examination typically covers both business process and information technology controls related to services provided. There are two types of SOC 1 examination reports.

- ▶ **Type 1 reports** are intended to provide auditors with information about the design of controls at a service organization as of a specific date.
- ▶ **Type 2 reports** are intended to provide information about the design of controls at a service organization and the results of tests of effectiveness for a coverage period (no less than 6 months).

## Who should consider a SOC 1, Type 1 Examination?

- ▶ Your organization needs a SOC 1 report of any type to be delivered in a relatively short amount of time. Often, the need is related to fulfilling an RFP or contractual requirement.
- ▶ Your organization is not contractually required to have an examination performed and is considering the examination purely for marketing purposes.
- ▶ Your organization is required to undergo a SOC 1 examination, but the type of examination is not specified, and the service organization believes that its user organizations are likely to accept a Type 1 report.

## Who should consider a SOC 1, Type 2 Examination?

- ▶ Your organization provides a service that has a direct and/or significant impact on the financial reporting controls of its clients.
- ▶ Your organization is contractually obligated to provide a Type 2 report to its clients.
- ▶ Your organization provides significant services to publicly traded companies that fall within the purview of these customers' Sarbanes-Oxley (SOX) compliance efforts.

### For more information contact:

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# Phases of a Typical SOC Engagement

## Phase I: Initial Consultation (1 to 3 days)

- ▶ Educate your organization about SOC 1 services.
- ▶ Agree on the scope of the examination terms and training and determine the service area(s) to be audited.
- ▶ Finalize the agreement with an engagement letter.

## Phase II: Planning & Preparation (2 to 3 days)

- ▶ Compile the draft of management's description of controls section and provide to management for update.
- ▶ Discuss roles and set expectations for the project.
- ▶ Solicit responses in the form of questionnaires (or update prior versions of the examination report for recurring clients).
- ▶ Submit a detailed documentation request list to key personnel.
- ▶ A detailed fieldwork project plan is submitted to the client for any modifications.

## Phase III: Fieldwork (3 to 6 weeks)

- ▶ Engagement team members perform walkthroughs and inquiry procedures with key personnel to assess whether the control activities are suitably designed to provide reasonable assurance that the specified control objective would be achieved if the controls were complied with satisfactorily.
- ▶ Testing procedures are performed to determine whether the controls are in place as of the report date, and for Type 2 examinations, whether the controls were in place and operation effectively during the review period.
- ▶ Test results are communicated to management, and if necessary, discrepancies are resolved. All testing exceptions are confirmed with management prior to the closing meeting and final report.
- ▶ A closing meeting is conducted with management and the engagement team to address any issues, opinion qualifications, testing exceptions, recommendations for improvement, outstanding project tasks, and the timing of remaining project steps.

## Phase IV: Reporting (4 to 6 weeks)

- ▶ The SOC 1 report is drafted by the engagement team following the completion of onsite fieldwork. Extensive quality assurance procedures are performed and documented during the drafting process.
- ▶ The engagement manager reviews and approves examination workpapers and the draft report for submission to the client for management response.
- ▶ The draft report is submitted to the client for review. One or more revised drafts are issued based on client feedback and requested modifications.
- ▶ Client approves a final version prior to issuance of the final report, and any other deliverables are issued.