

# Service Organization Control (SOC) Reports



*If a client or prospect asked for your company's internal control scorecard, could you provide it with confidence?*



# An Investment — Not an Expense

## Who needs a SOC report?

With identity theft and fraud on the rise, companies must pay closer attention to the security of customer and company information. As a result, clients and prospects are asking third-party outsourcing providers to provide an independent review of their internal controls policies and procedures. Often the request is for a Service Organization Controls (SOC) report. These reports are based on SSAE 16 and AT-101, standards published by the American Institute of Certified Public Accountants in 2011. SOC (formerly SAS 70) reports have been in demand as a result of the passage of Sarbanes-Oxley, HIPAA, and other privacy laws and regulations.

Companies that typically need a SOC report include service organizations that perform outsourcing services on behalf of their customers. Examples include:

- payroll processors
- healthcare claim processors
- Software as a Service providers (SaaS)
- network administrators
- managed security service providers
- co-location data centers
- cloud computing providers
- financial services processors
- customer support call centers
- accounts receivable processors
- credit recovery managers
- trust departments
- transfer agents
- custodians
- mortgage servicers
- ISP and web hosting service providers
- ASPs
- and many more

## Benefits

Having an independent party perform a SOC review will provide assurance of your company's internal controls. It also sends a message to customers and prospects that they can rely on your company to handle information accurately and securely. In addition, a SOC report will help create customer confidence in your business and can be used to market and attract sophisticated customers who are rightly concerned with these important issues.

## The Kraft advantage

Because of the sophisticated technology intrinsic to many service organizations, few CPA firms have the high-level of technology skill and credentials needed to perform SOC engagements. At KraftCPAs, we assign a team of experienced, management-level CPAs and technology professionals, including Certified Information Systems Auditors (CISA), to each SOC engagement. We have performed SOC engagements and related consulting for service organizations across the U.S. and abroad. **KraftCPAs was one of the first firms in the country to issue a SOC 2 report under the new standards.**

## What's involved?

Like a financial statement audit, a SOC report can only be issued by a certified public accountant. The engagement includes a review of the company's policies, procedures and controls that relate to the outsourced functions provided for clients or customers.

The standards are separated into three different types of reports using two different methods.

Type of Report	Description	Standard	Purpose
SOC 1	Reports on controls at a service organization relevant to user entities' internal control over financial reporting	SSAE 16	Report on internal controls for financial reporting
SOC 2	Reports on controls at a service organization relevant to one or more of the following principles: security, availability, processing integrity, confidentiality and privacy	AT-101	Report on one or more principles related to security, availability, confidentiality, integrity and privacy
SOC 3	Reports on controls at a service organization relevant to one or more of the following principles: security, availability, processing integrity, confidentiality and privacy, with a reduced level of detail on testing procedures in the report	AT-101	Same as SOC 2, however, the report does not include detailed testing procedures, and report can be used for marketing purposes

## Additional SOC services

In addition to traditional SOC 1, SOC 2, and SOC 3 attestation engagements, KraftCPAs provides other supporting services. In the event that you are unsure which SOC report you need, or if you're not sure that your controls are adequate, KraftCPAs provides the following services to assist you:

**Readiness Reviews** – to help you determine which type of report you should prepare, identify the controls which apply, and determine if your controls are working properly.

**Gap Analysis** – to help you determine if you have the controls necessary to meet the objectives of a SOC 2 or SOC 3 report, identify areas where you need additional controls, and help you develop the necessary controls to fill the gaps.

We can also help you to compile the necessary documentation required for your report.

# About KraftCPAs PLLC

Headquartered in Nashville since inception in 1958, KraftCPAs is one of Tennessee's largest and most respected CPA firms. With more than 190 team members, KraftCPAs and affiliates provide assurance, accounting, tax, technology and business advisory services with award-winning customer service.

KraftCPAs was selected as one of The 10 Most Dependable™ Accounting Firms in the Southeast, a list published in *FORTUNE* magazine and based on research by Goldline Research, and one of the Best Accounting Firms to Work For in the United States for seven of the last eight years, a list created by The Accountants Media Group and published in *Accounting Today* magazine.

KraftCPAs submits to an external peer review every three years to ensure compliance with the highest standards of technical accuracy and ethical practice in the CPA profession. The firm has consistently received an "pass" report – the most favorable result possible.

KraftCPAs is an independently owned member of RSM US Alliance, a premier affiliation of independent accounting and consulting firms in the United States, with more than 75 members in over 38 states, the Cayman Islands and Puerto Rico. This affiliation provides the best of both worlds — national and international resources similar to a "Big 4" accounting firm, along with the personal services, flexibility and fee structure of a local firm.

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