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Service organizations : new reporting options 2010/11; Audit Risk Alert

American Institute of Certified Public Accountants (AICPA)

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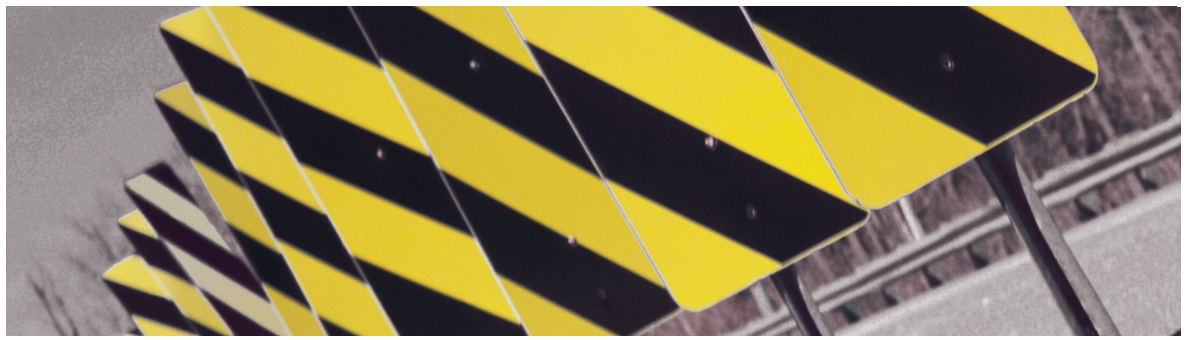
Service Organizations: New Reporting Options

A L E R T



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STRENGTHENING ENGAGEMENT INTEGRITY
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2010/11

Service Organizations: New Reporting Options

ALERT

STRENGTHENING ENGAGEMENT INTEGRITY
SAFEGUARDING REPORTING

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Notice to Readers

This alert, *Service Organizations: New Reporting Options—2010/11*, provides practitioners with an overview of the changes to Statement on Auditing Standards No. 70, *Service Organizations* (AICPA, *Professional Standards*, vol. 1, AU sec. 324), and alerts them to reporting options when examining controls at a service organization other than those relevant to financial reporting by user entities. It is intended to help practitioners understand the requirements of Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization* (AICPA, *Professional Standards*, vol. 1, AT sec. 801), and to provide professional guidelines that will enhance both consistency and quality in the performance of attest services.

If a practitioner applies auditing or attestation guidance, he or she should be satisfied that, in his or her judgment, it is both relevant to the circumstances of the service and appropriate. The auditing or attestation guidance in this document has been reviewed by the AICPA Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA.

Recognition

The AICPA gratefully appreciates the invaluable assistance of Diana Krupica in developing this publication.

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How This Alert Helps You

.01 This alert, *Service Organizations: New Reporting Options—2010/11*, is designed to help practitioners understand the changes to Statement on Auditing Standards (SAS) No. 70, *Service Organizations* (AICPA, *Professional Standards*, vol. 1, AU sec. 324), and select the appropriate service organization control (SOC) report for a client's particular circumstances. It also is designed to assist management of a service organization in preparing its written assertion.

Introduction

.02 It has become more common for CPAs[1] in the practice of public accounting to be asked to provide assurance on subject matter other than financial statements. Statements on Standards for Attestation Engagements (SSAEs), also called attestations standards, enable a CPA to report on subject matter other than financial statements.

.03 The main objective of the attestation standards is to provide a general framework for the attest function. As such, the standards (*a*) provide useful and necessary guidance to practitioners engaged to perform new and established attest services and (*b*) guide AICPA standard-setting bodies in establishing, if deemed necessary, interpretive standards for such services.

.04 The attestation standards are a natural extension of the ten generally accepted auditing standards. Like the auditing standards, the attestation standards require technical competence, independence in mental attitude, due professional care, adequate planning and supervision, sufficient evidence, and appropriate reporting. The attestation standards have been used to develop a growing array of services, for example, reporting on

- internal control over financial reporting;
- the effectiveness of controls over privacy;
- compliance with laws, regulations, and contracts;
- investment performance statistics; and
- certain information supplementary to financial statements.

.05 Thus, the attestation standards have been developed to be responsive to a changing environment and the demands of society.

What Are Service Organizations?

.06 Many companies function more efficiently and profitably by outsourcing certain tasks or functions to other organizations that have the personnel, expertise, or equipment to accomplish these tasks. An example of this arrangement is a health insurer that outsources the processing of medical claims to a claims processor. At the end of a specified period, the claims processor reports the cost of the claims processed during the period and the related liability to the

[1] In the attestation standards, a CPA performing an attestation engagement ordinarily is referred to as a practitioner. Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization* (AICPA, *Professional Standards*, vol. 1, AT sec. 801) uses the term service auditor rather than practitioner to refer to a CPA reporting on controls at a service organization.

insurer. That information is then included in the insurer's financial statements. The auditor of the insurer's financial statements is responsible for auditing all the information in the insurer's financial statements, including the information generated by the claims processor. The auditor must find a way to obtain evidence that supports the information generated by the claims processor and included in the insurer's financial statements. One way of doing so is to obtain a *service auditor's* report in which a CPA examines the claims processor's description of its system for processing claims, the suitability of the design of controls[2] at the claims processor that affect the information reported to the health insurer, and in some cases, the operating effectiveness of those controls.[3] From the perspective of the insurer, the controls at the claims processor prevent, or detect and correct, errors or omissions in the information reported to the insurer. The idea is that the more effective the controls are, the more likely the information provided to the health insurer will be correct.

.07 An organization that performs a task or function for others entities is known as a *service organization* (the claims processor), and an entity that outsources a task or function to a service organization is known as a *user entity* (the health insurer). The auditor auditing the financial statements of a user entity is known as a *user auditor*, and the CPA reporting on controls at a service organization is known as a service auditor.

How SAS No. 70 Has Changed

.08 Since 1992, SAS No. 70 has been the source of the requirements and guidance for service auditors and user auditors. SAS No. 70 has been divided and replaced by two new standards. One is an attestation standard, and the other is an auditing standard. The requirements and guidance for a service auditor reporting on controls at a service organization relevant to user entities internal control over financial reporting have been placed in SSAE No. 16, *Reporting on Controls at a Service Organization* (AICPA, *Professional Standards*, vol. 1, AT sec. 801). The requirements and guidance for auditing the financial statements of entities that use service organizations remains in the auditing standards in the clarified SAS *Audit Considerations Relating to an Entity Using a Service Organization*. The clarified SAS expands on how a user auditor audits the financial statements of a user entity, specifically, how the user auditor

- obtains an understanding of the entity, including its internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement and
- designs and performs additional audit procedures responsive to those risks.

.09 Although the Auditing Standards Board (ASB) has finalized this new auditing standard, it has not been issued as authoritative.[4] It is effective for audits of financial statements for periods ending on or after December 15, 2012. Early implementation is not permitted.

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[2] A control that is *suitably designed* is able to achieve the related control objective if it is operating effectively.

[3] A control that is *operating effectively* actually does achieve the related control objective.

[4] See the AICPA's final clarified Statements on Auditing Standards website at www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/AudAttest/AudAttestStndrds/ASBClarity/Pages/Final%20Clarified%20Statements%20on%20Auditing%20Standards.aspx.

Why SAS No. 70 Was Changed

.10 The auditing standards primarily provide guidance on reporting on an audit of financial statements, whereas the attestation standards primarily provide guidance on reporting on other subject matter. In SSAE No. 16, the service auditor is not reporting on financial statements but rather on a service organization's description of its system and controls. Moving the requirements for service auditors reporting on controls at a service organization to the attestation standards better reflects the nature of the work a service auditor performs. This change also aligns with the ASB's project to converge its standards with those of the International Auditing and Assurance Standards Board (IAASB). SSAE No. 16 is based on the IAASB's assurance standard for service auditors, International Standards on Assurance Engagement No. 3402, *Assurance Reports on Controls at a Service Organization*. The assurance standards are the equivalent of the attestation standards.

Two New Publications

.11 To help practitioners make the transition from SAS No. 70 to SSAE No. 16 and to reflect the requirements and guidance in SSAE No. 16, the forthcoming AICPA Guide *Service Organizations: Applying SSAE No. 16, Reporting on Controls at a Service Organization*, developed by an ASB task force, will replace the existing Audit Guide *Service Organizations: Applying SAS No. 70, as Amended*.

.12 Although the focus of SSAE No. 16 is on controls at service organizations that are likely to be relevant to user entities' internal control over financial reporting, paragraph 2 of SSAE No. 16 indicates that the guidance in SSAE No. 16 may be helpful to a CPA planning and performing an engagement under AT section 101, *Attest Engagements* (AICPA, *Professional Standards*, vol. 1), to report on controls at a service organization other than those likely to be relevant to user entities' internal control over financial reporting. To assist practitioners in performing those engagements, another guide, *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy*, is forthcoming. It will address controls at a service organization relevant to the security, availability, or processing integrity of a system or the confidentiality or privacy of the information processed by the system.

.13 AT section 50, *SSAE Hierarchy* (AICPA, *Professional Standards*, vol. 1), categorizes AICPA guides as interpretive publications. Interpretive publications are not attestation standards; rather, they are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the ASB after all ASB members have been provided with an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the attestation standards.

New Reporting Options

.14 An increasingly popular service offered by certain service organizations is *cloud computing*, which involves providing user entities with on-demand network access to a shared pool of computing resources, such as networks, servers, storage, applications, and services. The increasing use of these services has resulted in a demand by user entities for assurance regarding

controls over the systems underlying those services. The previously mentioned AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* is intended to meet that demand.

.15 To make practitioners aware of the various professional standards available to them for examining and reporting on controls at a service organization, and to help practitioners select the appropriate standard and related report for a particular engagement, the AICPA has introduced a series of three different SOC reports (SOC 1, SOC 2, and SOC 3). This series encompasses new SSAE No. 16, which retains the original purpose of SAS No. 70, and adds two new reporting options.

.16 The following are highlights of the three reporting options:

- *SOC 1 report*. An engagement performed under SSAE No. 16 in which a service auditor reports on controls at a service organization that may be relevant to user entities' internal control over financial reporting. A type 2 report contains a detailed description of the service auditor's tests of controls and results thereof. Use of the report is restricted to specified parties. It is primarily used by user auditors.
- *SOC 2 report*. An engagement performed under AT section 101 in which a service auditor reports on controls at a service organization other than those relevant to user entities' internal control over financial reporting (specifically controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy). A type 2 report contains a detailed description of the service auditor's tests of controls and results thereof. The criteria for these engagements are contained in *Trust Services Principles Criteria and Illustrations* (AICPA, *Technical Practice Aids*). The AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* contains guidance to assist service auditors in performing and reporting on these engagements.
- *SOC 3 report*. An engagement performed under AT section 101 in which a service auditor reports on whether an entity maintained effective controls over its system as it relates to the principle being reported on, such as security, availability, processing integrity, confidentiality, or privacy. It does not contain a description of the service auditor's tests and results. The criteria and additional guidance for these engagements are contained in *Trust Services Principles Criteria and Illustrations*. These are general-use reports.

.17 The following sections contain additional information about each of the reporting options.[5]

SOC 1 Engagements

.18 AICPA SOC 1 (SSAE No. 16) reports are intended to meet the needs of management of user entities and their financial statement auditors. SOC 1

[5] Detailed information about service organization control (SOC) 1, SOC 2, and SOC 3 reporting options is available at www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/SOC/Pages/SORHome.aspx.

reports contain the service auditor's opinion on the fairness of the presentation of the service organization's description of its system and the suitability of the design of the service organization's controls that may be relevant to user entities' financial statement assertions. A type 2 report also includes the operating effectiveness of those controls. These reports are an important source of information for user auditors in understanding and evaluating a user entity's internal control over financial reporting for the purpose of planning and performing an audit of the user entity's financial statements. A service auditor may be engaged to provide the following two types of reports:

- *Type 1 report*. A report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date
- *Type 2 report*. A report that is the same as a type 1 report but also includes (1) the service auditor's opinion on the operating effectiveness of the controls and (2) a description of the service auditor's tests of the operating effectiveness of the controls and the results of those tests

.19 A popular misunderstanding about SAS No. 70 is that a service organization becomes "SAS 70 certified" after undergoing a type 1 or type 2 engagement. However, no such certification exists nor will it exist under SSAE No. 16.

.20 A service auditor's report is primarily an auditor-to-auditor communication, designed to provide user auditors with detailed information about controls at a service organization that affect the information provided to user entities. All service auditors' reports include a detailed description of the service organization's system, and a type 2 report includes a detailed description of tests of controls performed by the service auditor and the results of those tests. The user auditor reads this information to determine how the service organization's system generates the information provided to user entities and whether the opinion states that the controls are suitably designed, and in a type 2 report, operating effectively. Such information generally is lengthy and detailed and could not be communicated via a certification.

.21 Service organizations that undergo such an engagement generally provide copies of the service auditor's report to their user entities, and the user entities provide them to their user auditors. The report enables user auditors to obtain evidence about the quality and accuracy of the information provided to the user entities.

New Requirements Mandated by SSAE No. 16

.22 One new requirement in SSAE No. 16 is for the service auditor to obtain a written assertion from management of the service organization about the fairness of the presentation of its description of the service organization's system and about the suitability of the design. A type 2 engagement also includes the operating effectiveness of the controls included in the description. That assertion will either accompany the service auditor's report or be included in the description of the service organization's system. In addition to the required management assertion, the following are some of the other substantive changes introduced by SSAE No. 16:

- The service auditor may not use evidence about the satisfactory operation of controls in prior periods to provide a basis for a reduction in testing in the current period, even if it is supplemented with evidence obtained during the current period.
- The service auditor is required to identify in the description of tests of controls performed by the service auditor any tests of controls performed by internal auditors and the service auditor's procedures with respect to that work.
- In a type 2 engagement, the service auditor's opinion on the description of the service organization's system and on the suitability of the design of controls covers a period (the same period as the period covered by the service auditor's tests of controls). In SAS No. 70, the opinion on the description and on the suitability of the design of controls in a type 2 report is as of a specified date, rather than for a period.

.23 Use of a SOC 1 report is restricted to the service organization client, existing user entities, and user auditors. Therefore, these reports are not general use report and, as such, should not be used by anyone other than the specified parties named in the restricted use paragraph of the service auditor's report.

.24 In the past, some CPAs incorrectly used SAS No. 70 to report on controls at a service organization that are unrelated to user entities' internal control over financial reporting, for example, controls over the privacy of customers' information or the processing integrity of a system. SAS No. 70 is not applicable to examinations of controls over subject matter other than financial reporting, and neither is SSAE No. 16.

.25 If a CPA is engaged to examine and issue a report on controls over subject matter other than financial reporting, such an engagement should be performed under AT section 101 of the attestation standards, not under SSAE No. 16 (nor under SAS No. 70). The forthcoming AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* is an application of AT section 101.

Illustrative Assertions by Management of a Service Organization for SOC 1 Reports

.26 The following are illustrative written assertions by management of a service organization. Example 1 is an illustrative assertion for a type 2 report, and example 2 is an illustrative assertion for a type 1 report.

Example 1: Illustrative Assertion by Management of a Service Organization for a Type 2 Report

XYZ Service Organization's Assertion

We have prepared the description of XYZ Service Organization's [*type or name of*] system (*description*) for user entities of the system during some or all of the period [*date*] to [*date*] and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the system themselves, when assessing the risks of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that

a. the description fairly presents the [*type or name of*] system made available to user entities of the system during some or all of the period [*date*] to [*date*] for processing their transactions [*or identification of the function performed by the system*]. The criteria we used in making this assertion were that the description

i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including

(1) the classes of transactions processed.

(2) the procedures, within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports presented to user entities of the system.

(3) the related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports presented to user entities of the system.

(4) how the system captures and addresses significant events and conditions, other than transactions.

(5) the process used to prepare reports or other information provided to user entities' of the system.

(6) specified control objectives and controls designed to achieve those objectives.

(7) other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.

ii. does not omit or distort information relevant to the scope of the [*type or name of*] system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and the independent auditors of those user entities, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.

b. the description includes relevant details of changes to the service organization's system during the period covered by the description when the description covers a period of time.

c. the controls related to the control objectives stated in the description were suitably designed and operated effectively throughout the period [*date*] to [*date*] to achieve those control objectives. The criteria we used in making this assertion were that

i. the risks that threaten the achievement of the control objectives stated in the description have been identified by the service organization;

ii. the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and

iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

Example 2: Illustrative Assertion by Management of a Service Organization for a Type 1 Report

XYZ Service Organization's Assertion

We have prepared the description of XYZ Service Organization's [*type or name of*] system (*description*) for user entities of the system as of [*date*] and their user auditors who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when obtaining an understanding of user entities' information and communication systems relevant to financial reporting. We confirm, to the best of our knowledge and belief, that

a. the description fairly presents the [*type or name of*] system made available to user entities of the system as of [*date*] for processing their transactions [*or identification of the function performed by the system*]. The criteria we used in making this assertion were that the description

i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including

(1) the classes of transactions processed.

(2) the procedures, within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports presented to user entities of the system.

(3) the related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports provided to user entities of the system.

(4) how the system captures and addresses significant events and conditions, other than transactions.

(5) the process used to prepare reports or other information provided to user entities of the system.

(6) specified control objectives and controls designed to achieve those objectives.

(7) other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.

ii. does not omit or distort information relevant to the scope of the [*type or name of*] system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and the independent auditors of those user entities, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.

b. the controls related to the control objectives stated in the description were suitably designed as of [*date*] to achieve those control objectives. The criteria we used in making this assertion were that

i. the risks that threaten the achievement of the control objectives stated in the description have been identified by the service organization.

ii. the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

Illustrative SOC 1 Reports Under SSAE No. 16

.27 Paragraphs 52–53 of SSAE No. 16 identify the elements that should be included in a type 2 and type 1 service auditor's report, respectively. The following are illustrative service auditor's reports for engagements performed under SSAE No. 16. These reports are for guidance only and are not intended to be exhaustive or applicable to all situations. Example 3 is an illustrative report for a type 2 engagement, and example 4 is an illustrative report for a type 1 engagement.

Example 3: Type 2 Service Auditor's Report

Independent Service Auditor's Report on a Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls

To: XYZ Service Organization

Scope

We have examined XYZ Service Organization's description of its [*type or name of*] system for processing user entities' transactions [*or identification of the function performed by the system*] throughout the period [*date*] to [*date*] (*description*) and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description.

Service organization's responsibilities

On page XX of the description, XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related

control objectives stated in the description. XYZ Service Organization is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the assertion; providing the services covered by the description; specifying the control objectives and stating them in the description; identifying the risks that threaten the achievement of the control objectives; selecting the criteria; and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Service auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period [*date*] to [*date*].

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein and the suitability of the criteria specified by the service organization and described at page X. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitations

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions [*or identification of the function performed by the system*]. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

Opinion

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization's assertion on page X,

a. the description fairly presents the [*type or name of*] system that was designed and implemented throughout the period [*date*] to [*date*].

b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period [*date*] to [*date*].

c. the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period [*date*] to [*date*].

Description of tests of controls

The specific controls tested and the nature, timing, and results of those tests are listed on pages YY–ZZ.

Restricted use

This report, including the description of tests of controls and results thereof on pages YY–ZZ, is intended solely for the information and use of XYZ Service Organization, user entities of XYZ Service Organization's [*type or name of*] system during some or all of the period [*date*] to [*date*], and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

[*Service Auditor's Signature*]

[*Date of the Service Auditor's Report*]

[*Service Auditor's City and State*]

Example 4: Illustrative Type 1 Service Auditor's Report

Independent Service Auditor's Report on a Description of a Service Organization's System and the Suitability of the Design of Controls

To: XYZ Service Organization

Scope

We have examined XYZ Service Organization's description of its [*type or name of*] system for processing user entities' transactions [*or identification of the function performed by the system*] as of [*date*] and the suitability of the design of controls to achieve the related control objectives stated in the description.

Service organization's responsibilities

On page XX of the description, XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design of the controls to achieve the related controls objectives stated in the description. XYZ Service Organization is responsible for preparing the description and for its assertion, including the completeness, accuracy, and method of presentation of the description and the assertion; providing the services covered by the description; specifying the control objectives and stating them in the description; identifying the risks that threaten the achievement of the control objectives; selecting the criteria; and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

Service auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance, in all material respects, about whether the description is fairly presented and the controls were suitably designed to achieve the related control objectives stated in the description as of [*date*].

An examination of a description of a service organization's system and the suitability of the design of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description of the system and the suitability of the design of the controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed to achieve the related control objectives stated in the description. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein and the suitability of the criteria specified by the service organization and described at page XX.

We did not perform any procedures regarding the operating effectiveness of the controls stated in the description and, accordingly, do not express an opinion thereon.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitations

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions [*or identification of the function performed by the system*]. The projection to the future of any evaluation of the fairness of the presentation of the description, or any conclusions about the suitability of the design of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective or fail.

Opinion

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization's assertion,

a. the description fairly presents the [*type or name of*] system that was designed and implemented as of [*date*], and

b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of [*date*].

Restricted use

This report is intended solely for the information and use of XYZ Service Organization, user entities of XYZ Service Organization's [*type or name of*] system

as of [*date*], and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when obtaining an understanding of user entities information and communication systems relevant to financial reporting. This report is not intended to be and should not be used by anyone other than these specified parties.

[*Service Auditor's Signature*]

[*Date of the Service Auditor's Report*]

[*Service Auditor's City and State*]

SOC 2 Engagements

.28 Many entities use service organizations to perform tasks or functions that are unrelated to financial reporting. AICPA SOC 2 reports are intended to meet the needs of users seeking assurance about controls at a service organization related to the security, availability, or processing integrity of a system or the confidentiality or privacy of the information processed by the system. SOC 2 reports can help user entity management

- obtain information about a service organization's controls over the system through which services are provided,
- assess and address the risks associated with an outsourced service, and
- carry out its responsibility for monitoring the services provided by a service organization.

.29 An example of the applicability of SOC 2 reports is an engagement to report on a service organization's controls over privacy. Many user entities are required by law or regulation to maintain the privacy of the information they collect from customers, including the privacy of that information when it is at a service organization. To address these requirements, management of a user entity may ask the service organization for a service auditor's report on the effectiveness of its controls over the privacy of the information it processes or maintains for user entities.

.30 The two types of reports for these engagements are:

- *Type 1 report*. A report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design of controls in meeting the applicable trust services criteria.
- *Type 2 report*. A report that is the same as a type 1 report but also includes (1) the service auditor's opinion on the operating effectiveness of the controls in meeting the applicable trust services criteria and (2) a description of the service auditor's tests of the operating effectiveness of the controls and the results of those tests.

.31 In a SOC 2 engagement, the criteria for evaluating the design and operating effectiveness of the controls are the criteria in *Trust Services Principles Criteria and Illustrations* which provides criteria for evaluating and reporting

on controls related to security, availability, processing integrity, confidentiality, and privacy. In *Trust Services Principles Criteria and Illustrations*, these five attributes of a system are known as principles.

.32 In both type 1 and type 2 SOC 2 reports, management's written assertion may be included in the description of the service organization's system or attached to the description. When the report addresses the privacy principle, the statement of privacy practices should be included in or accompany the description.

.33 These reports are intended for use by stakeholders (for example, customers, regulators, business partners, suppliers, and management) of the service organization that have a thorough understanding of the service organization and its controls.

.34 A type 1 report is unlikely to provide user entities with sufficient information to assess risks related to the outsourced service. However, a type 1 report may be useful to a user entity in understanding the service organization's system and controls. The following are circumstances in which a type 1 report may be useful.

.35 The service organization has not been in operation for a sufficient length of time to enable the service auditor to gather sufficient appropriate evidence regarding the operating effectiveness of controls.

.36 The service organization has recently made significant changes to the system and related controls and does not have a sufficient history with a stable system to enable a type 2 engagement to be performed.

.37 Because of the limitations of a type 1 engagement, a service auditor may recommend that a type 2 engagement covering a short period (for example, two months) be performed rather than a type 1 engagement.

.38 Unlike SSAE No. 16, the primary users of SOC 2 reports generally are not user auditors but rather management of the user entities. For example, a user entity may make certain commitments to its customers regarding the security of the system it uses to process customers' information. When such processing is outsourced to a service organization, the user entity's ability to meet these commitments may, in large part, depend on controls at the service organization that affect physical and logical access to the system.

.39 Because restriction on the use of SOC 2 reports is being discussed at the time of this publication, see the forthcoming AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy*, for guidance on use of SOC 2 reports.

.40 In addition, illustrative service auditor reports will be included, in their final form, in the forthcoming AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy*.

.41 A practitioner may perform a SOC 2 engagement that covers one or more of the trust services principles. Each principle describes an attribute of

a system and is followed by criteria for evaluating controls over the system with respect to that attribute. Criteria are the benchmarks used to measure and present the subject matter. The practitioner evaluates the subject matter against these criteria.

Management's Written Assertion in a SOC 2 Engagement

.42 In a SOC 2 engagement, management of the service organization must provide the service auditor with a written assertion about whether in all material respects, and based on suitable criteria,

a. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period.[6]

b. the controls related to management's description of the service organization's system were suitably designed throughout the specified period to meet the applicable trust services criteria.

c. in a type 2 engagement, the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period to meet the applicable trust services criteria.

d. when management's description of the service organization's system addresses the privacy principle, management of the service organization complied with the commitments in its statement of privacy practices throughout the specified period.

.43 Management of the service organization should have a reasonable basis for its written assertion.

.44 Illustrative assertions by management will be included, in their final form, in the forthcoming AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy*.

SOC 3 Engagements

.45 AICPA SOC 3 reports are designed to meet the needs of users who want assurance on controls at a service organization related to security, availability, processing integrity, confidentiality, or privacy but do not need the detailed description of tests of controls and results included in a SOC 2 report. Like a SOC 2 engagement, the criteria for evaluating the design and operating effectiveness of the controls are the criteria in *Trust Services Principles Criteria and Illustrations* SOC 3 reports address a market need because they may be used by current and prospective customers of the service organization.

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[6] The service auditor should determine that all of the applicable trust services criteria have been included in management's description and addressed by the service organization's controls. For example, if a service auditor is reporting on the design and operating effectiveness of controls at a service organization relevant to the security of user entities' information, the service auditor should determine that all the trust services criteria related to security have been included in the description and addressed by the service organization's controls.

SOC 3 Seal Option

.46 In addition to a traditional report, a SOC 3 report can be delivered in the form of a seal (SysTrust for Service Organization), displayed on the service organization's website. The SysTrust for Service Organization seal is a registered certification mark of the AICPA and the Canadian Institute of Chartered Accountants (CICA). Practitioners must be licensed by the CICA to use this seal. For more information on licensure, see CICA's website, www.webtrust.org, or contact Bryan Walker at brian.walker@cica.ca.

.47 Management of a service organization may consider engaging a service auditor to perform a SOC 2 engagement and a SOC 3 engagement and to report on both engagements. By doing so, management of the service organization can use the SOC 2 report to meet the specified requirements of user entities and the SOC 3 report to satisfy the general requirements of other parties that may not be user entities.

.48 SOC 2 and SOC 3 reports address similar subject matter and use the same criteria (the criteria in *Trust Services Principles Criteria and Illustrations*), but a SOC 2 report differs from a SOC 3 report in that a SOC 2 report provides report users with the following report components that are not included in a SOC 3 report:

- A description of the service organization's system prepared by management of the service organization (A SOC 3 report includes a description of the system and its boundaries that is typically less detailed than the descriptions in a SOC 2 report and is not covered by the practitioner's report.)
- In a type 2 report, a description of the service auditor's tests of the operating effectiveness of the service organization's controls and the results of those tests
- In a type 2 report that addresses the privacy principle, a description of the service auditor's tests of the service organization's compliance with the commitments in its statement of privacy practices and the results of those tests

Management's Written Assertion in a SOC 3 Engagement

.49 AT section 101 states that when a written assertion has not been obtained a practitioner may still report on the subject matter; however the form of the report will vary depending on the circumstances and its use should be restricted. Specifically, management asserts that, during the period covered by the report and based on the AICPA and CICA trust services criteria, it maintained effective controls over the system under examination to satisfy the stated trust services principle(s) and criteria. For engagements covering only certain principles, management's assertion should only address the principles covered by the engagement. In addition, for engagements covering an entity's compliance with its commitments, those commitments covered by the report should be identified in management's assertion.

.50 Under AT section 101, the practitioner may report on either management's assertion or on the subject matter of the engagement. When the practitioner reports on the assertion, the assertion should accompany the practitioner's report or be included in the first paragraph of the practitioner's report. When the practitioner reports on the subject matter, the practitioner may want to request that management make its assertion available to the users of the practitioner's report. If one or more deviations from the criteria exist, the practitioner should modify the report. When issuing a modified report, the practitioner should report directly on the subject matter rather than on the assertion.

Example 5: Illustrative Assertion by Management for a SOC 3 Engagement

During the period [*month*] [*day*], 2009, through [*month*] [*day*], 2009, ABC Company, in all material respects:

Maintained effective controls over the privacy of personal information collected in our _____[*description of the entities and activities covered, for example "the mail-order catalog-sales operations"*] business (the Business) to provide reasonable assurance that the personal information was collected, used, retained, disclosed, and disposed of in conformity with our commitments in our privacy notice related to the Business and with criteria set forth in Generally Accepted Privacy Principles, issued by the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants, and

Complied with our commitments in our privacy notice, which is dated [*month*] [*day*], 2009, and [*is available at www.ABC-Company/privacy or accompanies this report*].

Illustrative SOC 3 Reports

.51 The following are illustrative SOC 3 examination reports. The first paragraph of the practitioner's report indicates whether the practitioner is reporting on management's assertion or directly on the subject matter.

.52 These reports are for illustrative purposes and should be modified in accordance with the applicable professional standards and the facts and circumstances of the engagement.

.53 SOC 3 reports (in all cases) are for general use. They may be used by current and prospective customers and therefore may serve as a marketing tool to demonstrate that the service organization has effective controls in place

to mitigate risks related to security, availability, processing integrity, confidentiality, or privacy.

Example 6: Illustrative Trust Services Report on Management's Assertion About the Effectiveness of Controls Related to Four Principles (Availability, Security, Processing Integrity, and Confidentiality) (Period-of-Time Report)

Independent Practitioner's Trust Services Report

To the management of ABC Company, Inc.:

We have examined management's assertion that during the period [*month, day, and year*], through [*month, day, and year*], ABC Company, Inc. (ABC Company) maintained effective controls over the _____ [*type or name of system*] system based on the AICPA and CICA trust services availability, security, processing integrity, and confidentiality criteria to provide reasonable assurance that

the system was available for operation and use, as committed or agreed;

the system was protected against unauthorized access (both physical and logical);

the system processing was complete, accurate, timely, and authorized; and

information designated as confidential was protected by the system as committed or agreed

based on the AICPA and CICA trust services security, availability, processing integrity, and confidentiality criteria.

ABC Company's management is responsible for this assertion. Our responsibility is to express an opinion based on our examination. Management's description of the aspects of the _____ [*type or name of system*] system covered by its assertion is attached. We did not examine this description, and accordingly, we do not express an opinion on it.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included (1) obtaining an understanding of ABC Company's relevant controls over the availability, security, processing integrity, and confidentiality of the _____ [*type or name of system*] system; (2) testing and evaluating the operating effectiveness of the controls; and (3) performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the nature and inherent limitations of controls, ABC Company's ability to meet the aforementioned criteria may be affected. For example, controls may not prevent or detect and correct error or fraud, unauthorized access to systems and information, or failure to comply with internal and external policies or requirements. Also, the projection of any conclusions based on our findings to future periods is subject to the risk that changes may alter the validity of such conclusions.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the AICPA and CICA trust services security, availability, processing integrity, and confidentiality criteria.

[*Name of CPA firm*]

Certified Public Accountants

[*City, State*]

[*Date*]

[*See notes to illustrative reports prepared under AICPA standards.*]

Example 7: Illustrative Trust Services Report on Management's Assertion Regarding the Effectiveness of Controls Related to the Privacy Principle

Independent Practitioner's Privacy Report

To the Management of ABC Company, Inc.:

We have examined ABC Company, Inc.'s (ABC Company) management assertion that, during the period [*month*] [*day*], 2009, through [*month*] [*day*], 2009, it:

Maintained effective controls over the privacy of personal information collected in its _____ [*description of the entities and activities covered, for example "the mail-order catalog-sales operations"*] business (the Business) to provide reasonable assurance that the personal information was collected, used, retained, disclosed, and disposed of in conformity with its commitments in its privacy notice related to the Business and with criteria set forth in Generally Accepted Privacy Principles, issued by the American Institute of Certified Public Accountants (AICPA) and the Canadian Institute of Chartered Accountants, and

Complied with its commitments in its privacy notice, which is dated [*month*] [*day*], 2009, and [*is available at www.ABC-Company/privacy or accompanies this report*].

This assertion is the responsibility of ABC Company's management. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included (1) obtaining an understanding of ABC Company's controls over the privacy of personal information, (2) testing and evaluating the operating effectiveness of the controls, (3) testing compliance with ABC Company's commitments in its privacy notice, and (4) performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, ABC Company's management assertion that, during the period [*month*] [*day*], 2009, through [*month*] [*day*], 2009, ABC Company:

Maintained effective controls over the privacy of personal information collected in the Business to provide reasonable assurance that the personal information was collected, used, retained, disclosed and disposed of in conformity with its commitments in its privacy notice and with criteria set forth in Generally Accepted Privacy Principles; and

Complied with its commitments in its privacy notice referred to above,

is, in all material respects, fairly stated.

OR

In our opinion, ABC Company's management assertion referred to above is fairly stated, in all material respects, in conformity with ABC Company's privacy notice referred to above and with criteria set forth in Generally Accepted Privacy Principles.

Because of the nature and inherent limitations of controls, ABC Company's ability to meet the aforementioned criteria and the commitments in its privacy notice may be affected. For example, fraud, unauthorized access to systems and information, and failure to comply with internal and external policies or requirements may not be prevented or detected. Also, the projection of any conclusions, based on our findings, to future periods is subject to the risk that any changes or future events may alter the validity of such conclusions.

[*Name of CPA firm*]

Certified Public Accountants

[*City, State*]

[*Date*]

Comparison of SOC 1, SOC 2, and SOC 3 Reports

	SOC 1 Reports	***SOC 2 Reports***	***SOC 3 Reports***
Under what professional standard or interpretive guidance is the engagement performed?	Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization* (AICPA, *Professional Standards*, vol. 1, AT sec. 801) AICPA Guide *Service Organizations: Applying SSAE No. 16, Reporting on Controls at a Service Organization* (forthcoming)	AT section 101, *Attestation Engagements* (AICPA, *Professional Standards*, vol. 1) AICPA Guide *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* (forthcoming)	AT section 101, *Attestation Engagements* (AICPA, *Professional Standards*, vol. 1) AICPA *Trust Services Principles Criteria and Illustrations* (AICPA, *Technical Practice Aids*)
What is the subject matter of the engagement?	Controls at a service organization relevant to user entities internal control over financial reporting.	Controls at a service organization relevant to security, availability, processing integrity	Controls at a service organization relevant to security, availability, processing integrity,

	SOC 1 Reports	*SOC 2 Reports*	*SOC 3 Reports*
		confidentiality, or privacy. If the report addresses the privacy principle, the service organization's compliance with the commitments in its statement of privacy practices.	confidentiality, or privacy. If the report addresses the privacy principle, the service organization's compliance with the commitments in its statement of privacy practices.
What is the purpose of the report?	To provide information to the auditor of a user entity's financial statements about controls at a service organization that may be relevant to a user entity's internal control over financial reporting. It enables the user auditor to perform risk assessment procedures, and if a type 2 report is provided, to assess the risk of material misstatement of financial statement assertions affected by the service organization's processing.	To provide management of a service organization, user entities and other specified parties with information and a CPA's opinion about controls at the service organization relevant to security, availability, processing integrity, confidentiality, or privacy. A type 2 report that addresses the privacy principle also provides a CPA's opinion about the service organization's compliance with the commitments in its statement of privacy practices.	To provide interested parties with a CPA's opinion about controls at the service organization relevant to security, availability, processing integrity, confidentiality, or privacy. A report that addresses the privacy principle also provides a CPA's opinion about the service organization's compliance with the commitments in its privacy notice.

(continued)

	SOC 1 Reports	*SOC 2 Reports*	*SOC 3 Reports*
What are the components of the report?	A description of the service organization's system. A service auditor's report that contains an opinion on the fairness of the presentation of the description of the service organization's system, the suitability of the design of the controls, and in a type 2 report, the operating effectiveness of the controls. In a type 2 report, a description of the service auditor's tests of the controls and the results of the tests.	A description of the service organization's system. A service auditor's report that contains an opinion on the fairness of the presentation of the description of the service organization's system, the suitability of the design of the controls, and in a type 2 report, the operating effectiveness of the controls. If the report addresses the privacy principle, the service auditor's opinion on whether the service organization complied with the commitments in its statement of privacy practices. In a type 2 report, a description of the service auditor's tests of controls and the results of the tests. In a type 2 report that addresses the privacy principle, a description of the	A description of the system and its boundaries[7] or in the case of a report that addresses the privacy principle, a copy of the service organization's privacy notice. A service auditor's report on whether the entity maintained effective controls over its system as it relates to the principle being reported on, such as, security, availability, processing integrity, confidentiality, or privacy, based on the applicable trust services criteria. If the report addresses the privacy principle the service auditor's opinion on whether the service organization complied with the commitments in its privacy notice.

[7] These descriptions are typically less detailed than the descriptions in a SOC 1 and SOC 2 report and are not covered by the practitioner's report.

	SOC 1 Reports	*SOC 2 Reports*	*SOC 3 Reports*
		service auditor's tests of the service organization's compliance with the commitments in its statement of privacy practices and the results of those tests.	
Who are the intended users of the report?	Auditor's of the user entity's financial statements, management of the user entities, and management of the service organization.	Primary users generally are management of user entities. Other users may include parties that are knowledgeable about • the nature of the service provided by the service organization. • how the service organization's system interacts with user entities, subservice organizations, and other parties. • internal control and its limitations. • the criteria and how controls address those criteria. • complementary user entity controls and how they interact with related controls at the service organization	Any users who want assurance on controls at a service organization related to security, availability, processing integrity, confidentiality, or privacy of a system, but do not have the need for the level of detail provided in a SOC 2 report. SOC 3 reports are general use reports, and can be freely distributed or posted on a website as a seal.

Resource Central

.54 The following are various resources that practitioners and their clients.

New Online SOC Report Resources

.55 The AICPA has created a landing page on www.aicpa.org specifically for the new reporting options. Visit the following website for detailed information on service organization controls reports (formerly SAS 70 reports): www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/SOC/Pages/SORHome.aspx.

AICPA Online Professional Library: Accounting and Auditing Literature

.56 The AICPA has created your core accounting and auditing library online. The AICPA Online Professional Library is now customizable to suit your preferences or your firm's needs. Or, you can sign up for access to the entire library. Get access—anytime, anywhere—to Financial Accounting Standards Board (FASB) *Accounting Standards Codification*™ (ASC), the AICPA's latest *Professional Standards*, *Technical Practice Aids*, Audit and Accounting Guides, Audit Risk Alerts, *Accounting Trends & Techniques*, and more. One option is the *AICPA Audit and Accounting Guides with FASB* Accounting Standards Codification™ subscription, which contains all audit and accounting guides, all audit risk alerts, and FASB ASC in the Online Professional Library (product no. WFA-XX [online]).To subscribe to this essential online service for accounting professionals, visit www.cpa2biz.com.

Continuing Professional Education

.57 The AICPA offers a number of continuing professional education (CPE) courses that are valuable to CPAs working in public practice and industry, including the following:

- *Annual Update for Accountants and Auditors (2010–2011 Edition)* (product no. 730096 [text] or 180096 [DVD]). Whether you are in industry or public practice, this course keeps you current and informed and shows you how to apply the most recent standards.
- *Internal Control Essentials for Financial Managers, Accountants and Auditors* (product no. 731856 [text], 181856 [DVD/Manual], or 351856 [Additional Manual for DVDE]). This course will provide you with a solid understanding of systems and control documentation at the significant process level.

.58 Visit www.cpa2biz.com for a complete list of CPE courses.

Online CPE

.59 AICPA CPExpress, offered exclusively through CPA2Biz, is the AICPA's flagship online learning product. AICPA members pay $180 for a new subscription and $145 for the annual renewal. Nonmembers pay $435 for a new subscription and $375 for the annual renewal. Divided into 1-credit and 2-credit courses that are available 24 hours a day, 7 days a week, AICPA CPExpress offers hundreds of hours of learning in a wide variety of topics.

.60 To register or learn more, visit www.cpa2biz.com.

Webcasts

.61 Stay plugged in to what is happening and earn CPE credit right from your desktop. AICPA webcasts are high quality, two-hour CPE programs that bring you the latest topics from the profession's leading experts. Broadcast live, they allow you to interact with the presenters and join in the discussion. If you cannot make the live event, each webcast is archived and available on CD-ROM. For additional details on available webcasts, please visit www.cpa2biz.com/AST/AICPA_CPA2BIZ_Browse/Store/Webcasts.jsp.

Member Service Center

.62 To order AICPA products, receive information about AICPA activities, and get help with your membership questions, call the AICPA Service Operations Center at (888) 777-7077.

Hotlines

Accounting and Auditing Technical Hotline

.63 Do you have a complex technical question about generally accepted auditing standards, other comprehensive bases of accounting, or other technical matters? If so, use the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. The hotline is available from 9 a.m. to 8 p.m. EST on weekdays. You can reach the Technical Hotline at (877) 242-7212 or online at www.aicpa.org/Research/TechnicalHotline/Pages/TechnicalHotline.aspx. Members can also e-mail questions to aahotline@aicpa.org. Additionally, members can submit questions by completing a Technical Inquiry form found on the same website.

Ethics Hotline

.64 In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. You can reach the Ethics Hotline at (888) 777-7077 or by e-mail at ethics@aicpa.org.

The Center for Audit Quality

.65 The Center for Audit Quality (CAQ), which is affiliated with the AICPA, was created to serve investors, public company auditors, and the markets. The CAQ's mission is to foster confidence in the audit process and aid investors and the capital markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty, and trust.

.66 To accomplish this mission, the CAQ works to make public company audits even more reliable and relevant for investors in a time of growing financial complexity and market globalization. The CAQ also undertakes research, offers recommendations to enhance investor confidence and the vitality of the capital markets, issues technical support for public company auditing professionals, and helps facilitate the public discussion about modernizing business

reporting. The CAQ is a voluntary membership center that provides education, communication, representation, and other means to member firms that audit or are interested in auditing public companies. To learn more about the CAQ, visit www.aicpa.org/InterestAreas/CenterForAuditQuality/Pages/CAQHome.aspx.

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Appendix—Additional Internet Resources

Here are some useful websites that may provide valuable information to accountants.

Website Name	*Content*	*Website*
AICPA	Summaries of recent auditing and other professional standards, as well as other AICPA activities	www.aicpa.org www.cpa2biz.com www.ifrs.com
AICPA Financial Reporting Executive Committee (formerly known as Accounting Standards Executive Committee)	Summaries of recently issued guides, technical questions and answers, and practice bulletins containing financial, accounting, and reporting recommendations, among other things	www.aicpa.org/InterestAreas/AccountingAndAuditing/Community/FINREC/Pages/FinREC.aspx
AICPA Accounting and Review Services Committee	Summaries of review and compilation standards and interpretations	www.aicpa.org/InterestAreas/AccountingAndAuditing/Community/AccountingReviewServicesCommittee/Pages/ARSC.aspx
AICPA Professional Issues Task Force	Summaries of practice issues that appear to present concerns for practitioners and disseminate information or guidance, as appropriate, in the form of practice alerts	www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/AudAttest/AudAttestGuidance/Pages/PITFPracticeAlerts.aspx
Economy.com	Source for analyses, data, forecasts, and information on the U.S. and world economies	www.economy.com
The Federal Reserve Board	Source of key interest rates	www.federalreserve.gov

(continued)

Website Name	*Content*	*Website*
Financial Accounting Standards Board (FASB)	Summaries of recent accounting pronouncements and other FASB activities	www.fasb.org
USA.gov	Portal through which all government agencies can be accessed	www.usa.gov
Government Accountability Office	Policy and guidance materials and reports on federal agency major rules	www.gao.gov
Governmental Accounting Standards Board (GASB)	Summaries of recent accounting pronouncements and other GASB activities	www.gasb.org
International Accounting Standards Board	Summaries of International Financial Reporting Standards and International Accounting Standards	www.iasb.org
International Auditing and Assurance Standards Board	Summaries of International Standards on Auditing	www.iaasb.org
International Federation of Accountants	Information on standards setting activities in the international arena	www.ifac.org
Private Company Financial Reporting Committee	Information on the initiative to further improve FASB's standard setting process to consider needs of private companies and their constituents of financial reporting	www.pcfr.org
Public Company Accounting Oversight Board (PCAOB)	Information on accounting and auditing activities of the PCAOB and other matters	www.pcaob.org

Website Name	*Content*	*Website*
Securities and Exchange Commission (SEC)	Information on current SEC rulemaking and the Electronic Data Gathering, Analysis, and Retrieval database	www.sec.gov