

SSAE 16 FREQUENTLY ASKED QUESTIONS (FAQ)

What is SSAE 16?

Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization*, addresses examination engagements undertaken by a service auditor to report on controls at organizations that provide services to user entities when those controls are likely to be relevant to user entities' internal control over financial reporting. SSAE 16 is effective for periods dated on or after June 15, 2011.

What are the key differences between SSAE 16 and SAS 70?

With the new SSAE 16 standard, a written assertion by management is required and must include the suitable criteria used for its assessment. Additionally, the new SSAE 16 standard requires that the service organization provide a description of its system as designed and implemented, which is a broader description than only the controls as is required by SAS 70.

What is ISAE 3402?

International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*, is the global equivalent of SSAE 16. Both standards provide guidance for service auditors in the examination and reporting of controls at a service organization. In an effort to converge the US standard (SSAE 16) with the international one (ISAE 3402), the differences between the two standards are minimal.

What is the service organization's "system"?

An organization's system are the policies and procedures designed, implemented, and documented by management of the service organization to provide user entities with the services covered by the service auditor's report. Management's description of the service organization's system identifies the services covered, the period to which the description relates (or in the case of a type 1 report, the date to which the description relates), the control objectives specified by management or an outside party, the party specifying the control objectives (if not specified by management), and the related controls.

What is the "Written Assertion by Management"?

Under the new SSAE 16 standard, management of the service organization is now required to assert, in writing, to its' responsibilities, the fair presentation of the description of the system, the suitability of the design of controls, and in the case of a Type 2 report, the operating effectiveness of the controls. If the inclusive method is used, the management of the subservice organization must also provide a written assertion.

Who signs the written assertion?

The written assertion should be signed by a senior member of management who has knowledge regarding the operation of the controls and has ultimate responsibility for the individuals that are directly involved in the operation of the controls.

What are the components of a SSAE 16 report?

An SSAE 16 report will contain the following components:

- Section 1 – Independent Service Auditor’s Report – This section includes the service auditor’s opinion for the services within the scope of the examination.
- Section 2 – Management’s Written Assertion - This section of the report will contain a copy of management’s written assertion.
- Section 3 – Description of the Service Organization’s System – This section of the report will contain management’s description of the service organization’s system.
- Section 4 - Information Provided by the Service Auditor – This section of the report will contain the results of the service auditor’s examination including the controls tested and the description of the tests.
- Section 5 – Other Information Provided by the Service Organization – The client may wish to present other information in this section. This section of the report would not be covered by the service auditor’s opinion. Examples of information that clients may wish to place in this section include, management response to testing exceptions, disaster recovery plans, or client agreements.

How do I know if I need an examination in accordance with SSAE 16?

Organization’s that generally need an examination in accordance with SSAE 16 are service organizations that perform tasks for user entities that affect the user entities’ financial statements. Auditors performing the financial statement audits for the user entity may need to obtain information about those services, the related service organization controls, and their effects on the user entity’s financial statements and thus may request an audit report performed in accordance with SSAE 16. Generally requests for audit reports in accordance with SSAE 16 will be received from customers/user entities, included within customer contracts or requested by user entity auditors.

What if I don’t perform tasks for user entities that affect the user entities’ financial statements? What type of report should I get?

If the service organization performs tasks that do not affect the user entities’ financial statements, the service auditor can perform an engagement under Attest Engagement (AT) Section 101 and report on controls at the service organization other than those that are likely to be relevant to user entities’ internal control over financial reporting. For example, the service organization may want a report on controls that affect the user entities’ compliance with specific requirements of laws, regulations, rules, contracts, or grants. Another example would be a report on controls that affect user entities’ production or quality control.

Should I get a SAS 70 audit or SSAE 16 examination if this is my first time undergoing the examination?

The new SSAE 16 standard is effective for service auditors’ reports for periods ending on or after June 15, 2011. Though earlier implementation is permitted, early adoption of the new standard is not being widely performed. However, if the service organization would like a service audit report dated in 2011, it is likely that user entities may expect to see the examination performed in accordance with SSAE 16.

How can I obtain a quote for an SSAE 16 examination?

The experienced professionals at A-align are available for a free phone consultation. A-align offers competitively priced fixed fee engagements with no out-of-pocket expenses. To obtain a quote for a



SSAE 16 examination call us today at 1-888-702-5446 or complete the "Contact Us" form at www.aligncpa.com.