

## IS YOUR ORGANIZATION SSAE 16 COMPLIANT?

All service organizations are required to comply with the U.S. SSAE 16 auditing standard, and in many cases, with its international counterpart — ISAE 3402. But as the definition of service organization grows, this standard is becoming a compliance catch-all for just about every business in America and worldwide.

### Basis for the Auditing Standard

The Statement on Standards for Attestation Engagements (SSAE) No. 16, titled “Reporting on Controls at a Service Organization,” was adopted by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) and became effective on June 15, 2011. It replaces the former SAS 70 as the authoritative guideline for reporting on service organizations.

### Growth of the Service Organization Sector

The statement’s broad definition of service organization is: “any organization providing services to user entities [i.e., client] for which these services are likely to be relevant to these user entities’ internal control for financial reporting.” That covers everything from web hosting to payroll services to client data storage services and beyond. Some specific examples of industries and business sectors that fall under the category of service organization are the following:

- > Software as a Service (SaaS)
- > Application Service Providers (ASP)
- > Credit Card Processing Platforms
- > Cloud Computing and On-Demand Computing Services
- > Internet Service Providers (ISP)
- > Web Design and Development
- > Social Media and Content Tagging and Aggregators
- > Data Center and Co-Location Providers
- > Third Party Administrators (TPA)
- > Captive Providers
- > Medical Billing
- > Online Fulfillment
- > Rebate Processing and Online Mail Services
- > Transportation Services
- > Tax Credit and Empowerment Services
- > Registered Investment Advisors (RIA)

### Control Reports Affecting Your Business

As a business providing material outsourcing services to another entity, your organization will be required to become SSAE 16 compliant and to undergo an examination for reporting on controls. The reports are generally of two types, SSAE 16 Type 1 or SSAE 16 Type 2, and both types of report require: a description of the service organization’s system; a written assertion from the management that fairly presents the service organization’s system as designed and implemented at the specified date; that the controls related to the control objectives stated in the description of the “system” for the service organization were suitably designed to achieve the control objectives as of the specified date; and a service auditor’s assurance report.

### Compatibility with International Standard

The ISAE 3402 standard — the global standard for assurance reporting on service organizations — and SSAE 16 are quite similar, with only a few notable technical exceptions, and, therefore, many service organizations outside the United States may opt for ISAE 3402 compliance over SSAE 16 compliance.

To learn more about governance and compliance management for your service organization, contact GreenPoint Global today.