

SSAE 16, SAS 70, and ISAE 3402: Do you know your number?

The Statement on Standards for Attestation Engagements (SSAE) No. 16, "Reporting on Controls at a Service Organization," was issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) in April 2010. SSAE 16 replaces Statement on Auditing Standards (SAS) 70 as the standard for reporting on service organizations.

The reasons for the change are tied to globalization, international reporting standards, and increased scrutiny of internal controls over financial reporting. Most companies will need a broader description of their system of providing services, and it may include information on procedures, people, software, data, and infrastructure. All companies are required to provide a written assertion by management and the assertion is verified by their auditor in the course of conducting the audit. The assertion increases transparency and accountability for the description of services and the potential risks to controls.

For a step-by-step review of SSAE 16 and how it affects your service organization, please contact Vicky Ludema at 800.599.2304 or vicky.ludema@crowehorwath.com.

The increasing importance of effective controls and reporting processes prompted the issuance of a new standard for service organizations. SSAE 16 takes effect this summer and, while similar to SAS 70, changes to service organizations' management assertion of controls are required. SSAE 16 was also designed to mirror and comply with International Standard on Assurance Engagements (ISAE) No. 3402 mandated by the International Federation of Accountants (IFAC).

Major highlights of the change to SSAE 16 include:

- Replaces SAS 70 for service organizations;
- Effective for reports with periods ending on or after June 15, 2011;
- Consistent with international guidance ISAE 3402;
- Management must provide assertion similar to SOX Section 302;
- Management must have a basis for providing its assertion;
- Description of system and controls is more comprehensive;
- In a type 2 report, the auditor's opinion on the design of controls covers the entire time frame of the report;
- Policies, procedures, and practices must be documented; and
- Changes in scope or period, once an auditor is engaged, will require a "reasonable basis."

IMPORTANT – The timeline for implementation is pressing. For SAS 70 report cycles that typically end on June 30, affected service organizations must adopt the new standard and develop a process for management's assertion of controls as of July 1, for their June 30, 2011, report.