The SSAE 18 Audit Standard (Updates and Replaces SSAE-16)

SSAE 18 is a series of enhancements aimed to increase the usefulness and quality of SOC reports, now, superseding SSAE 16, and, obviously the relic of audit reports, SAS 70. The changes made to the standard required companies to take more control and ownership of their own internal controls around the identification and classification of risk and appropriate management of third party vendor relationships. These changes, while, not overly burdensome, help close the loop on key areas that industry professionals noted gaps in many service organization's reports.

SSAE18, made effective as of May 1, 2017. All organizations are now required to issue their System and Organization Controls (SOC) Report under the SSAE-18 standard in a SOC Report. The SOC 1 and SOC 2 reports produced, will look and feel very similar to the one issued under SSAE-16, it will just contain a couple additional sections and controls to further enhance the content and quality, and thus, the ability for third parties to rely on.

What's New in SSAE 18?

As mentioned above, there were a couple key changes that Companies currently performing a SOC 1 or SOC 2 examination, have taken into consideration going forward.

1. Service Organizations have implemented a formal Third Party Vendor Management Program
2. Service Organizations have implemented a formal Annual Risk Assessment process

In addition to the control based changes, the SOC reports contain two additional sections describing the risk assessment process, as well as, the subservice organizations that play a role in the overall operation of the system and the corresponding controls they impact or have complete ownership of. These two components were typically present in the SOC 2 report, but not formally required. Now, this concept has been formalized and extended to all SOC reports going forward.

Now, for companies that have not previously undergone a SOC 1 audit because their service / operations were not financially significant, SSAE 18 has expanded the definition of what is allowed to be reported on to include an entity's compliance with certain laws or regulations, contractual arrangements, or another set of defined agreed-upon procedures – just about any outsourced service where 3rd party validation would be beneficial and add assurance. This now allows for an official, independent review, of a wide-range of operations under a trusted and consistent set of auditing and reporting guidelines.