



## DC Section 200

2018 Description Criteria for  
a Description of a Service  
Organization's System in a  
SOC 2<sup>®</sup> Report (with Revised  
Implementation Guidance – 2022)

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## DC Section 200

### ***2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report (With Revised Implementation Guidance — 2022)***

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Prepared by the AICPA Assurance Services Executive Committee's SOC 2 Working Group
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#### **Notice to Readers**

The *2018 Description Criteria for a Description of a Service Organization's System in a SOC 2® Report (With Revised Implementation Guidance — 2022)* (2018 description criteria) presents description criteria established by the Assurance Services Executive Committee (ASEC) of the AICPA for use by service organization management when preparing the description of the service organization's system and by the service auditors when evaluating whether the description is presented in accordance with the description criteria in a SOC 2 examination.

In developing and establishing these criteria, ASEC followed due process procedures, including exposure of criteria for public comment. BL section 360R, *Implementing Resolutions Under Section 3.6 Committees*,<sup>fn 1</sup> designates ASEC as a senior technical committee with the authority to make public statements without clearance from the AICPA Council or the board of directors. Paragraph .A46 of AT-C section 105, *Concepts Common to All Attestation Engagements*,<sup>fn 2</sup> indicates that criteria promulgated by a body designated by the Council of the AICPA under the AICPA Code of Professional Conduct are, by definition, considered suitable.

#### **Revisions in This Version**

This version of the 2018 description criteria has been modified to reflect revisions to the implementation guidance relevant to certain of the description criteria. As discussed in the introduction section, implementation guidance presents important factors to consider when making judgments about the nature and extent of disclosures called for by each criterion.

**The revisions to the implementation guidance discussed in this notice to readers do not in any way alter the criteria in the 2018 description criteria. Such criteria continue to be suitable criteria for use when evaluating the description of a system in a SOC 2 engagement.**

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<sup>fn 1</sup> All BL sections can be found in AICPA [Professional Standards](#).

<sup>fn 2</sup> All AT-C sections can be found in AICPA [Professional Standards](#).

Revisions to the implementation guidance were developed by ASEC's SOC 2 Working Group; all were reviewed by the ASEC chair. The revised implementation guidance in this version is intended to provide users of the criteria with the following:

- Additional clarity regarding certain disclosure requirements
- Guidance on disclosure of how controls meet the requirements of a process or control framework
- Guidance on disclosure of information about the risk assessment process and specific risks

## Introduction

- .01** The AICPA's Assurance Services Executive Committee (ASEC), through its Trust Information Integrity Task Force's SOC 2 Working Group, has developed a set of benchmarks, known as *description criteria*, to be used when preparing and evaluating the description of the service organization's system (description) in an examination of a service organization's controls over security, availability, processing integrity, confidentiality, or privacy (SOC 2 examination). This document presents the description criteria for use in that examination. (This document does not address the AICPA's trust services criteria,<sup>fn 3</sup> which are used in a SOC 2 examination to evaluate whether controls stated in the description were suitably designed and operated effectively to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria.)
- .02** Applying the description criteria requires judgment. Therefore, in addition to the description criteria, this document also presents implementation guidance for each criterion. The implementation guidance presents factors to consider when making judgments about the nature and extent of disclosures called for by each criterion. This guidance does not address all possible situations; therefore, users should carefully consider the facts and circumstances of the service organization and its environment when applying the description criteria.

## Applicability and Use of the Description Criteria

### SOC 2 Examination

- .03** The description criteria presented in this document were developed to be used in conjunction with the SOC 2 examination described in the AICPA Guide *SOC 2<sup>®</sup> Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* (guide). The SOC 2 examination is performed in accordance with AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 205, *Assertion-Based Examination*

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<sup>fn 3</sup> The 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (With Revised Points of Focus — 2022) are codified in TSP section 100 in AICPA Trust Services Criteria.

*Engagements.* In that examination, the CPA (known as a *service auditor*)<sup>fn 4</sup> expresses an opinion about the following:

- a. Whether the description is presented in accordance with the description criteria
- b. Whether the controls were suitably designed to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved if controls operated effectively based on the applicable trust services criteria
- c. In a type 2 examination,<sup>fn 5</sup> whether the controls operated effectively to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria<sup>fn 6</sup>

**.04** A SOC 2 examination is predicated on the concept that, because service organization management is ultimately responsible for developing, implementing, and operating the service organization's system, service organization management is also responsible for developing and presenting in the SOC 2 report a description of the service organization's system. Service organization management uses the description criteria in this document when preparing the description of the service organization's system; the service auditor uses the criteria when evaluating whether the description is presented in accordance with the description criteria.

## **Suitability and Availability of the Description Criteria**

**.05** The attestation standards define the attributes of suitable criteria for an examination engagement. In a SOC 2 examination, the attributes of suitable criteria are as follows:<sup>fn 7</sup>

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<sup>fn 4</sup> In the attestation standards, a CPA performing an attestation engagement ordinarily is referred to as a *practitioner*. However, AICPA Guide *SOC 2® Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy* uses the term *service auditor*, rather than *practitioner*, to refer to a CPA reporting on controls at a service organization. Therefore, this document also uses the term *service auditor*.

<sup>fn 5</sup> There are two types of SOC 2 examinations (type 1 and type 2), and the subject matters vary depending on which type of examination the service auditor performs. The subject matters of a type 1 examination are (a) the description and (b) the suitability of the design of the controls to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved based on the applicable trust services criteria. The subject matters in a type 2 examination are (a) the description, (b) the suitability of design of the controls to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved based on the applicable trust services criteria, and (c) the operating effectiveness of controls to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria.

<sup>fn 6</sup> This term refers to the trust services criteria in TSP section 100, *2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (With Revised Points of Focus — 2022)*, that pertain to the category or categories included within the scope of the particular examination.

<sup>fn 7</sup> Paragraph .A44 of AT-C section 105, *Concepts Common to All Attestation Engagements*.

- *Relevance*. Criteria are relevant to the system.
- *Objectivity*. Criteria are free from bias.
- *Measurability*. Criteria permit reasonably consistent measurements, qualitative or quantitative, of the system.
- *Completeness*. Criteria are complete when the description prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect users' decisions made on the basis of that description.

**.06** In addition to being suitable, AT-C section 105<sup>fn 8</sup> indicates that the criteria used in an attestation engagement should be available to report users. The publication of the description criteria makes the criteria available to report users. Accordingly, ASEC has concluded that the description criteria presented in this document are suitable and available for use in a SOC 2 examination.

## **Preparing and Evaluating the Presentation of the Description of the Service Organization's System in Accordance With the Description Criteria**

**.07** Service organization management is responsible for the design, implementation, and operation of controls within the system used to provide services to user entities and business partners. In a SOC 2 examination, a description of the service organization's system presented in accordance with the description criteria is designed to enable user entities, business partners, and other intended users of the SOC 2 report (known collectively as *report users*) to understand the service organization's system, including the processing and flow of data and information through and from the system. The description describes the procedures and controls the service organization has implemented to manage the risks that threaten the achievement of the service organization's service commitments and system requirements. The description is prepared by service organization management from documentation supporting the system of internal control and system operations, as well as consideration of the policies, processes, and procedures within the system used to provide the services.

**.08** A SOC 2 report is intended for use by those who have sufficient knowledge and understanding of the service organization, the services it provides, and the system used to provide those services, among other matters. As a result, when drafting the description, service organization management can assume that users have such knowledge and understanding. Furthermore, if the users do not have such knowledge and understanding, they are likely to misunderstand the content of the SOC 2 report, the assertions made by management, and the service auditor's opinion, all of which are included in the report. For that reason, management and the service auditor should agree on the intended users of the report (referred to as *specified parties*). Specified parties of a SOC 2 report may include service organization personnel, user entities of the system throughout some or all of the period, business partners subject to risks arising from

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<sup>fn 8</sup> Paragraph .27b of AT-C section 105.

interactions with the system, practitioners providing services to user entities and business partners, prospective user entities and business partners, and regulators who have sufficient knowledge and understanding of such matters.

- .09** Though the description is generally narrative in nature, there is no prescribed format for the description. the description Service organization management may organize the description in a variety of different ways, provided that disclosures called for by these criteria are included. For example, the description may be organized by components of internal control (the control environment, risk assessment process, control activities, monitoring activities, and information and communications). Alternatively, it may be organized by components of the system (infrastructure, software, people, procedures, and data). Management may also use other logical groupings of information in organizing its system description, including the use of recognized industry frameworks or standards based on management's objectives. For example, the system description may be organized by control families or control objectives listed in a process or control framework.
- .10** Regardless of the method used to organize the system description, it is supplemented by disclosures of the aspects of the internal control components relevant to the identification and assessment of risks that would prevent the service organization from achieving its service commitments and system requirements and by disclosures of the design, implementation, and operation of controls to address those risks. Although not required, it is good practice to map the controls listed back to the relevant criteria in each of the trust services categories to more clearly demonstrate how the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria. Flowcharts, matrixes, tables, graphics, context diagrams, or a combination thereof may be used to supplement the narratives contained within the description.
- .11** The extent of disclosures included in the description may vary depending on the size and complexity of the service organization and its activities. In addition, the description need not address every aspect of the service organization's system or the services provided by the system. For example, although the service organization may use both manual and automated systems to provide services to user entities, the description need not necessarily disclose every step in that process. Furthermore, if certain aspects of those services are not relevant to report users or are beyond the scope of the SOC 2 examination, the description need not address them. For example, disclosures about a service organization's processes related to billing for services provided to user entities are unlikely to be relevant to report users.
- .12** Ordinarily, a description of a service organization's system in a SOC 2 examination is presented in accordance with the description criteria when it (a) describes the system that the service organization has implemented (that is, placed in operation) to provide the services, (b) includes information about each description criterion, to the extent it is relevant to the system being described, and (c) does not inadvertently or intentionally omit or distort information that is likely to be relevant to report users' decisions. The description should be prepared at a level of detail that balances the need of report users to understand the nature of the risks faced by the service organization, and the impact of the realization of those risks, with the possibility of a hostile party using that information to identify potential vulnerabilities of the system, thereby compromising the service organization's ability to achieve its service commitments and system requirements. Nevertheless, the description should include disclosures about each description criterion at a level that does not omit information that would be considered significant by report users.

- .13** A description is not presented in accordance with the description criteria if it (a) states or implies that certain IT components exist when they do not, (b) states or implies that certain processes and controls have been implemented when they are not being performed, or (c) contains statements that cannot be objectively evaluated (for example, advertising puffery).
- .14** In certain circumstances, additional disclosures may be necessary to supplement the description. Management's decisions about whether such additional disclosures are necessary and the service auditor's evaluation of management's decisions involve consideration of whether the disclosures may affect information that is likely to be relevant to the decisions of report users. Additional disclosures that may be necessary include the following:
- Significant interpretations made in applying the description criteria in the specific circumstances of the SOC 2 examination (for example, what constitutes a security event or incident)
  - Subsequent events, depending on their nature and significance

### **Materiality Considerations When Preparing and Evaluating Whether the Description Is Presented in Accordance With the Description Criteria**

- .15** As discussed in paragraph .02, applying the description criteria requires judgment. One of those judgments involves the informational needs of report users. Most SOC 2 reports have a broad range of specified parties. Therefore, the description is intended to meet the common informational needs of the specified parties and does not ordinarily include information about every aspect of the system that may be considered important to each individual report user. However, an understanding of the perspectives and information needs of the broad range of intended SOC 2 report users is necessary to determine whether the description is presented in accordance with the description criteria and is sufficient to meet report users' needs.
- .16** When evaluating whether the description is in accordance with the description criteria, management considers whether there is substantial likelihood that misstatements or omissions in the description, individually or in the aggregate, would influence the judgments made by specified parties to the SOC 2 report. For example, in a SOC 2 examination on controls relevant to privacy, management may discover that it has failed to describe a principal service commitment involving compliance with the European Union's General Data Protection Regulation (GDPR) when compliance is required by law. Because there is substantial likelihood that such information would influence the judgments made by SOC 2 report users, management may conclude that the omission of such information may affect the decisions of

such users. In that case, management would amend the description by including the relevant information.<sup>fn 9</sup>

- .17** Because the description criteria call for disclosure of primarily nonfinancial information, most descriptions will be presented in narrative form. Therefore, materiality considerations are mainly qualitative in nature and center around whether there are misstatements in information that have a substantial likelihood of influencing the judgments made by report users, including the possibility that relevant information has been omitted. Qualitative factors to be considered include the following:
- The interaction between and relative importance of individual disclosures within the description.
  - The wording used to make required disclosures; for example, the wording chosen does not omit or distort the disclosures presented.
  - Whether the characteristics of the presentation are appropriate because the description criteria allow for variations in presentation.
  - The extent to which identified deficiencies in the suitability of design or the operating effectiveness of controls contradict the disclosures about controls included in the description.
  - The effect of a misstatement or potential misstatement on the description as a whole.
  - Whether a misstatement affects compliance with laws or regulations.

## **Description Criteria for a Description of a Service Organization’s System in a SOC 2 Examination and Related Implementation Guidance**

- .18** To be presented in accordance with the description criteria, a description ordinarily needs to disclose information about each of the requirements (criteria) presented in the left column of the following table, to the extent that the criterion is applicable to the system and the trust services categories included within the scope of the examination. (Materiality considerations are discussed in the previous section beginning at paragraph .15.)
- .19** The implementation guidance in the right column of the following table presents factors to consider when making judgments about the nature and extent of disclosures called for by each criterion. The implementation guidance does not address all possible situations; therefore, service organization management is advised to carefully consider the specific facts and circumstances of the service organization and

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<sup>fn 9</sup> If the description has been prepared to meet the informational needs of a specific subset of SOC 2 report users (and the report is restricted to those specific users), management considers whether there is a substantial likelihood that misstatements (including omissions) would influence the judgments made by that specific subset of report users.



the nature of the services provided when applying the description criteria in a SOC 2 examination. Illustrative disclosures can be found on the AICPA website.

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
The description contains the following information:	When making judgments about the nature and extent of disclosures to include about this criterion, consider the following:
<b>DC1:</b> The types of services provided	<p>Examples of the types of services provided by service organizations are as follows:</p> <ul style="list-style-type: none"> <li>• <i>Customer support.</i> Providing customers of user entities with online or telephonic post-sales support and service management. Examples of these services are warranty inquiries and investigating and responding to customer complaints.</li> <li>• <i>Health care claims management and processing.</i> Providing medical providers, employers, third-party administrators, and insured parties of employers with systems that enable medical records and related health insurance claims to be processed accurately, securely, and confidentially.</li> <li>• <i>Enterprise IT outsourcing services.</i> Managing, operating, and maintaining user entities' IT data centers, infrastructure, and application systems and related functions that support IT activities, such as network, production, security, change management, hardware, and environmental control activities.</li> <li>• <i>Managed security.</i> Managing access to networks and computing systems for user entities (for example, granting access to a system and preventing, or detecting and mitigating, system intrusion).</li> </ul>

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<sup>fn 10</sup> In addition to the numbered criteria, the discussion in paragraphs 1–19 is relevant when implementing the criteria in preparing a description or evaluating whether the description is presented in accordance with the description criteria.

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• <i>Financial technology services.</i> Providing financial services companies with IT-based transaction processing services. Examples of such transactions are loan processing, peer-to-peer lending, payment processing, retirement recordkeeping, crowdfunding, big data analytics, and investment management.</li> <li>• <i>Environmental, social, and governance (ESG) metric services.</i> Measuring, calculating, and otherwise assisting companies with gathering and reporting their ESG metrics.</li> </ul> <p>To be useful to report users, the description should clearly identify the services that are the focus of the SOC 2 examination.</p> <p>When handling personal information, a service organization may function in the role of a data processor, data controller, or both. Depending on which of these roles the service organization performs, its responsibilities with regard to protecting personal information may differ. Therefore, when the SOC 2 examination addresses privacy, clear disclosure of the role or roles performed by the service organization may be necessary to describe the types of services provided. Such disclosures enable users to understand how the service organization addressed its responsibilities to mitigate risks to the achievement of its service commitments and system requirements related to privacy.</p>
<b>DC2:</b> The principal service commitments and system requirements	<p>A service organization adopts a mission and vision, sets strategies, and establishes objectives to help it meet its mission and vision based on its strategies. Management designs and implements individual systems to achieve specific objectives and designs and implements controls within the system to mitigate the risks that threaten the service organization's achievement of those objectives. The service organization's objectives for its services and the system used to deliver those services are embodied in the service commitments it makes to user entities and the requirements it establishes for the functioning of the system used to deliver those services (service commitments and system requirements). Disclosure of the principal service commitments and system requirements enables report users to understand the objectives that drive the operation of the system and how the applicable trust services criteria were used to</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p>evaluate whether controls were suitably designed and operated effectively. Service commitments and system requirements relate primarily to the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> The achievement of the service commitments made to user entities related to the system used to provide the services and the system requirements necessary to achieve those commitments</li> <li><i>b.</i> Compliance with laws and regulations regarding the provision of the services by the system</li> <li><i>c.</i> The achievement of the other objectives the service organization has for the system, including those relating to implementation of controls to meet the requirements of a process or control framework (For example, a service organization that does business with government agencies may make a commitment to implement controls to meet the requirements of the National Institute of Standards and Technology [NIST] Cybersecurity Framework.)</li> </ul> <p>The service commitments and system requirements made by the service organization influence which trust services categories the service organization selects for the SOC 2 examination. For example, a cloud service provider may choose to include the availability category because of its importance to a broad range of users. Users may find a brief discussion of how the principal service commitments and system requirements relate to the categories selected for the examination useful..</p> <p><b>Service commitments.</b> Service commitments may be communicated to user entities in many ways, such as through contracts, service-level agreements, and published policies (for example, a privacy policy). No specific form of communication is required.</p> <p>A service organization may make service commitments on many different aspects of the service being described, including the following:</p> <ul style="list-style-type: none"> <li>• Specification of the algorithm used in a calculation</li> </ul>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• The hours a system will be available</li> <li>• Published password standards</li> <li>• Encryption standards used to encrypt stored customer data</li> </ul> <p>Service commitments may also be made about one or more of the trust services categories addressed by the description. As an example, if controls over privacy are addressed by the description, a service organization may make commitments such as the following:</p> <ul style="list-style-type: none"> <li>• The organization will not process or transfer information without obtaining the data subject's consent.</li> <li>• The organization will provide a privacy notice to customers once every six months or when there is a change in the organization's business policies.</li> <li>• The organization will respond to access requests within 10 working days of receiving the request from its customers.</li> </ul> <p><b>System requirements.</b> System requirements are the specifications about how the system should function to do the following:</p> <ul style="list-style-type: none"> <li>• Meet the service organization's service commitments to user entities and others (such as user entities' customers)</li> <li>• Meet the service organization's commitments to vendors and business partners</li> <li>• Support compliance with relevant laws, regulations, and guidelines of industry groups, such as business or trade associations</li> </ul>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• Achieve other objectives of the service organization that are relevant to the trust services categories addressed by the description, including those relating to implementation of controls to meet the requirements of a process or control framework</li> </ul> <p>System requirements are often specified in the service organization’s system policies and procedures, system design documentation, contracts with customers, and government regulations. The following are examples of system requirements:</p> <ul style="list-style-type: none"> <li>• Workforce member fingerprinting and background checks established in government banking regulations</li> <li>• System edits that restrict the values accepted for system input, which are defined in application design documents</li> <li>• Maximum acceptable intervals between periodic review of workforce member logical access as documented in the security policy manual</li> <li>• Data definition and tagging standards, including any associated metadata requirements, established by industry groups or other bodies, such as the Simple Object Access Protocol (SOAP)</li> <li>• Business processing rules and standards established by regulators, for example, security requirements under the Health Insurance Portability and Accountability Act (HIPAA)</li> <li>• Programmatic enforcement of segregation of duties between data entry and data approval that creates system requirements regarding user access administration</li> </ul> <p><b>Determining principal service commitments and system requirements.</b> Although service organization management is responsible for designing, implementing, and operating controls to provide reasonable assurance that it achieves its service commitments and system requirements, management is required to disclose in the description only its <i>principal</i> service commitments and <i>principal</i> system requirements.</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p><i>Principal service commitments</i> are those that support the understanding of the services provided, the system, and the design and operation of controls by a broad range of SOC 2 report users.</p> <ul style="list-style-type: none"> <li>• When a service organization makes the same system availability commitment to the majority of its user entities, it is likely that management would disclose such commitments in the description because such information would support the understanding of a broad range of SOC 2 report users.</li> </ul> <p>When a service organization makes specific commitments about system availability to one or a small subset of user entities, management may decide to omit such commitments from the description because they are unlikely to support the understanding of a broad range of SOC 2 report users. In this situation, it is up to the individual user entity or entities to obtain additional information from the service organization regarding the achievement of specific availability commitments.</p> <p><i>Principal system requirements</i> are those that are relevant to the trust services category or categories addressed by the description and that are likely to be relevant to the broad range of SOC 2 report users. In identifying which system requirements to disclose, service organization management may consider internal policies that are relevant to the system being described, key decisions made in the design and operation of the system, and other business requirements for the system. For example, internal requirements related to the operating margin for the services associated with the system are not relevant to the broad range of SOC 2 report users and therefore need not be disclosed.</p> <p>When the description addresses privacy, service organization management is likely to identify the relevant service commitments and system requirements identified in the service organization’s privacy notice or in its privacy policy as part of its principal service commitments and system requirements.</p>
<p><b>DC3:</b> The components of the system used to provide the services, including the following:</p> <p><i>a. Infrastructure</i></p>	<p><b>Infrastructure.</b> Disclosures about the infrastructure component include matters such as the collection of physical or virtual resources that supports an overall IT environment, including the physical environment and related structures, IT, and related hardware (for example,</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
<ul style="list-style-type: none"> <li><i>b. Software</i></li> <li><i>c. People</i></li> <li><i>d. Procedures</i></li> <li><i>e. Data</i></li> </ul>	<p>facilities, servers, storage, environmental monitoring equipment, data storage devices and media, mobile devices, and internal networks and connected external telecommunications networks) that the service organization uses to provide the services. As an example, a cloud software-as-a-service provider's infrastructure disclosure is likely to include information about its implementation of virtual system components provided by an infrastructure or hosting service provider.</p> <p>System components may be described using specific technical terms that will help create a clearer understanding of the service organization's system and system boundaries. Technical terms can also aid report users in understanding the service organization's physical and logical components when considering a service organization's impact on the user entities. It may be helpful for service organizations to enhance their system descriptions using open systems interconnect (OSI) seven-layer model concepts. A service organization could describe how and on which layer specific components of the system operate, for example, with a statement such as this:</p> <p style="padding-left: 40px;">Encrypted connections are made to the service organization using client virtual private network (VPN) hardware that connects system users via secure shell (SSH) to secure file transfer protocol (SFTP) servers that operate following transport layer security (TLS) standards and protocols.</p> <p><b>Software.</b> Disclosures about the software component include matters such as the application programs, the IT system software that supports those application programs (operating systems, middleware, and utilities), the types of databases used, the nature of external-facing web applications, and the nature of applications developed in-house, including details about whether the applications in use are mobile applications or desktop and laptop applications.</p> <p><b>People.</b> Disclosures about the people component include information about the personnel involved in governance, management, operations, and security, as well as information about the users of the system (business unit personnel, developers, operators, user entity personnel, vendor personnel, and managers). Among other things, such disclosures may include an overview of the individuals responsible for evaluating and managing controls and other activities that prevent, detect, mitigate, and remediate system incidents.</p>



<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p><b>Procedures.</b> Disclosures about the automated and manual procedures implemented by the service organization primarily relate to those through which services are provided. These include, as appropriate, procedures through which service activities are initiated, authorized, performed, and delivered and through which reports and other information are prepared.</p> <p>A <i>process</i> consists of a series of linked procedures designed to accomplish a particular goal (for example, the process for managing third-party risks). Procedures are the specific actions undertaken to implement a process (for example, the procedure in place to assess and manage the requisition and engagement of vendors). For that reason, service organization management may find it easier to describe procedures in the context of the process of which they are a part.</p> <p>Procedures are typically developed based on policies. Policies are management or board member statements of what should be done to effect control. Such statements may be documented, explicitly stated in communications, or implied through actions and decisions. The service organization deploys control activities through policies that establish what is expected and procedures that put policies into action.</p> <p>Disclosures may include an overview of significant processes relevant to the services provided, whereas the detailed procedures performed may be disclosed in a separate section of the description. Reports and other information prepared by the service organization may also be included in the description to enable report users to better understand the order of activities performed by the service organization.</p> <p><b>Data.</b> Disclosures about the data component include types of data used by the system, transaction streams, files, databases, tables, and output used or processed by the system. Such disclosures would generally focus on customer data transmitted through the system or residing in the system, as well as any other data that directly supports the system.</p> <p>Data usually includes sensitive information, which may vary from organization to organization. Sensitive information may include transaction data, regulatory compliance information, financial information used for both internal and external reporting purposes, confidential sales information, confidential wholesale pricing information and order information, new design ideas and branding strategies, and proprietary information provided by business partners. Sensitive information also includes personal information.</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p>When sensitive information is transmitted through or resides in the system used to provide services to users, the description may address the confidentiality or privacy categories. In that case, the description may also address the following other matters about the data component:</p> <ul style="list-style-type: none"> <li>• The principal types of data created, collected, processed, transmitted, used, or stored by the service organization and the methods used to collect, retain, disclose, dispose of, or anonymize the data</li> <li>• Personal information that warrants security, data protection, or breach disclosures based on laws or commitments (for example, personally identifiable information, protected health information, and payment card data)</li> <li>• Third-party entity information (for example, information subject to confidentiality requirements in contracts) that warrants security, data protection, or breach disclosures based on laws or commitments</li> </ul> <p>For each system component, such disclosures would generally address aspects of confidential and personal information used in providing the service within well-defined processes and informal ad hoc procedures.</p> <p><i>Boundaries of the system.</i> The description should clearly identify the system that is the focus of the SOC 2 examination. In some situations, however, it is not always clear whether a specific activity or function performed at the service organization is part of the system being described. Determining the functions or processes that are outside the boundaries of the system and describing them in the description may be necessary to prevent report users from misunderstanding the boundaries of the system. Therefore, if there is a risk that report users might be confused about whether a specific function or process is part of the system being described, the description needs to clearly identify which processes or functions are outside the boundaries of the system being described.</p> <p>For example, the following functions or processes at the service organization may be outside the boundaries of the system being described:</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• The process used to invoice user entities for the services provided by the service organization.</li> <li>• The conversion of new user entities to the service organization's systems. For some service organizations, such conversions are handled by an entirely different system than the one being described.</li> <li>• The receipt of data from sources outside the system being described. An example is a payroll processing system that receives information inputs from an employer in a ready-to-process state, which limits the responsibility of the service organization's system to processing the inputs provided by the employer to produce direct bank deposits to specified bank accounts.</li> </ul> <p>Service organizations frequently use a variety of applications or software tools to assist with the operation of certain aspects of their controls. Applications or software tools that support the service organization in achieving its service commitments and system requirements are likely to be within the boundaries of the system. Examples of applications or software tools that can help with the operation of controls include tools that help with the identification or detection of threats and vulnerabilities (for example, firewalls, intrusion prevention systems [IPSs], intrusion detection systems [IDSs], security information and event management systems [SIEMs]), monitoring the implementation of key software settings, or monitoring the effectiveness of automated controls. When such applications or software tools are used, it may be useful for the description to include appropriate disclosures about those applications or software tools.</p> <p><i>Third-party access.</i> Vendors, business partners, and others (third parties) often store, process, and transmit sensitive data; third parties may also have access to a service organization's system. In some situations, these third parties may perform functions or activities within one or more components of the system. Disclosures about third-party access may include matters such as the nature of third parties' access and connectivity to the service organization's system and a description of the functions or activities performed by such third parties. Disclosures may also include the controls implemented and activities performed by service</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	organization management to monitor the risks of doing business with vendors and other third parties, particularly when such activities are significant to the achievement of the service organization's service commitments and system requirements.
<p><b>DC4:</b> For identified system incidents that (a) were the result of controls that were not suitably designed or operating effectively or (b) otherwise resulted in a significant failure in the achievement of one or more of those service commitments and system requirements, as of the date of the description (for a type 1) or during the period of time covered by the description (for a type 2), as applicable, the following information:</p> <ul style="list-style-type: none"> <li>a. Nature of each incident</li> <li>b. Timing surrounding the incident</li> <li>c. Extent (or effect) of the incident and its disposition</li> </ul>	<ul style="list-style-type: none"> <li>• Judgment is needed when determining whether to disclose an incident. Such judgments may be informed by consideration of whether the system resulted from one or more controls that were not suitably designed or operating effectively.</li> <li>• in a significant change to the service organization's controls to detect, prevent, mitigate, remediate, or recover from system incidents.</li> <li>• in a significant failure in the achievement of one or more of the service organization's service commitments and system requirements.</li> <li>• in public disclosure due to the requirement of a law or regulation.</li> <li>• in a material effect on the service organization's financial position or results of operations and required disclosure in a financial statement filing.</li> <li>• in the imposition of fines or sanctions by any legal or regulatory agency.</li> <li>• in the service organization's withdrawal from material markets or cancellation of material contracts.</li> <li>• in the theft, alteration, or unauthorized use of sensitive information, including proprietary information, personally identifiable information, or personal health information.</li> <li>• in a demand for payment in order to restore encrypted information or to prevent the inappropriate disclosure of stolen information.</li> <li>• in the general public's knowledge of the system incident.</li> </ul>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p>If an incident affected service organization technology, processes, or systems that are not included in the description, management may consider whether the incident resulted from ineffective controls shared among all the service organization's systems. In that case, management may need to consider whether there are controls in place, such as segmentation between systems, to prevent a similar breach from occurring in the system being described. If shared controls are ineffective or there are no additional controls to prevent a similar breach in the system being described, management would be more likely to disclose the incident.</p> <p>Disclosures about identified security incidents are not intended to be made at a detailed level, which might increase the likelihood that a hostile party could exploit a security vulnerability, thereby compromising the service organization's ability to achieve its service commitments and system requirements. Rather, the disclosures are intended to enable report users to understand the nature of the risks faced by the service organization and the impact of the realization of those risks.</p> <p>Assume that the service organization identified a security breach that resulted in the service organization's failure to achieve one or more of its service commitments and system requirements. The breach, which occurred six months prior to the start of the period covered by the description, had not been fully remediated during the period covered by the description. In this example, management would likely need to disclose the incident in the description to enable report users to understand the nature of the risks faced by the service organization and the impact of the realization of those risks. In addition, service organization management should consider whether to disclose known incidents at a subservice organization, regardless of whether management has elected to use the inclusive or carve-out method.</p> <p>If there have been no significant incidents that require disclosure, management may disclose that fact in the description.</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
<p><b>DC5:</b> The applicable trust services criteria and the related controls designed to provide reasonable assurance that the service organization’s service commitments and system requirements were achieved</p>	<p>TSP section 100, <i>2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (With Revised Points of Focus — 2022)</i>,<sup>fn 11</sup> presents the criteria for each of the trust services categories. The description should include information about each of the criteria related to the trust services category or categories covered by the description (applicable trust services criteria). Additionally, for each of the applicable trust services criteria, the description would include information about the controls designed and implemented to achieve the related service commitments and system requirements based on the trust services criteria. For example, if the description addresses availability, information about controls implemented by the service organization to address the common criteria in the trust services criteria and the additional trust services criteria for availability would be included in the description.</p> <p>When the service organization discloses a principal service commitment regarding the implementation of controls to meet the requirements of a process or control framework, users would generally expect the description to include information about how the service organization’s implemented controls met those requirements.</p> <p><i>Risks that threaten the achievement of service commitments and system requirements.</i> Because risk assessment is critical to the design and implementation of controls to mitigate those risks, users may find disclosures about the service organization’s risk assessment process particularly helpful. In addition to a description of its risk assessment process, useful disclosures may include the following:</p> <ul style="list-style-type: none"> <li>• Risks that may have a significant effect on the service organization’s ability to achieve its service commitments and system requirements.</li> <li>• Whether any aspect of risk assessment is performed by third parties</li> </ul>

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<sup>fn 11</sup> TSP section 100 can be found in AICPA *Trust Services Criteria*.

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• The process for addressing risks introduced by use of subservice organizations or other third parties, including those that have access to customer and employee data</li> </ul>
<p><b>DC6:</b> If service organization management assumed, in the design of the service organization’s system, that certain controls would be implemented by user entities, and those controls are necessary, in combination with controls at the service</p>	<p><i>Complementary user entity controls (CUECs).</i> CUECs are those controls that service organization management assumed, in the design of the system, would be implemented by user entities and that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization’s service commitments and system requirements would be achieved.</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
<p>organization, to provide reasonable assurance that the service organization’s service commitments and system requirements would be achieved, those complementary user entity controls (CUECs)</p>	<p>Usually, a service organization restricts its service commitments to matters for which it is responsible and that it can reasonably achieve by itself. In that case, the service organization can achieve its service commitments and system requirements without depending on the implementation of CUECs at user entities. Similarly, system requirements are generally derived from those commitments. Consider trust services criterion CC6.2:</p> <p style="padding-left: 40px;">Prior to issuing system credentials and granting system access, the entity registers and authorizes new internal and external users whose access is administered by the entity. For those users whose access is administered by the entity, user system credentials are removed when user access is no longer authorized.</p> <p>CC6.2 requires only that the service organization register a system user (identified by the user entity as an authorized user) and issue system credentials to that user after the user entity supplies the service organization with a list of authorized users. The user entity is responsible for identifying the users and supplying the service organization with a list of authorized users. If the user entity provides a list and inadvertently includes employees who should not be granted access, the service organization has still met both trust services criterion CC6.2 and its service commitment to the user entity. Accordingly, identifying authorized users and communicating that information to the service organization are not considered CUECs.</p> <p>The description is presented in accordance with this criterion if the CUECs are complete, accurately described, and relevant to the service organization’s achievement of its service commitments and system requirements.</p> <p><i>User entity responsibilities.</i> In addition to CUECs, user entities may have other responsibilities when using the system. Those responsibilities are necessary for the user entity to derive the intended benefits of using the services of the service organization. For example, the user of an express delivery service is responsible for providing complete and accurate recipient information and for using appropriate packaging materials. Such responsibilities are referred to as <i>user entity responsibilities</i>.</p> <p>Trust services criterion CC2.3 states, “the entity communicates with external parties regarding matters affecting the functioning of internal control.” This would include communication of user entity responsibilities. However, because user entity responsibilities can be voluminous, they are often communicated through other methods (for example, by describing them</p>



<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p>in user manuals). Consequently, disclosure of user entity responsibilities in the description is usually not practical. Instead, management ordinarily identifies in the description only the types of communications it makes to external users about user entity responsibilities. Determining the form and content of such communication is the responsibility of service organization management.</p> <p>When service organization management communicates user entity responsibilities only to specific parties (such as in contracts with user entities), management considers whether other intended users of the SOC 2 report are likely to misunderstand it; if misunderstanding is likely, management should limit the distribution of the SOC 2 report to those specific parties. If service organization management does not want to limit the distribution of the report, management would include the significant user entity responsibilities in the description of the system to prevent users from misunderstanding the system and the service auditor's report. In that case, the report would be appropriate for the broad range of SOC 2 users.</p>
<p><b>DC7:</b> If the service organization uses a subservice organization<sup>fn 11</sup> and the controls at the subservice organization are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements are achieved, the following:</p> <ul style="list-style-type: none"> <li>a. When service organization management elects to use the inclusive method: <ul style="list-style-type: none"> <li>i. The nature of the service provided by the subservice organization</li> <li>ii. The controls at the subservice organization that are necessary, in combination with controls at the service organization to provide reasonable</li> </ul> </li> </ul>	<p><i>Inclusive method.</i> When service organization management elects the inclusive method, the relevant aspects of the subservice organization's infrastructure, software, people, procedures, and data are considered part of the service organization's system and are included in the description of the service organization's system. Although the relevant aspects are considered a part of the service organization's system, the portions of the system, and related system controls, that are attributable to the subservice organization would be separately identified in the description. Such disclosures include the aspects of the internal control components relevant to identification and assessment of risks that would prevent the service organization from achieving its service commitments and system requirements and the design, implementation, and operation of controls to mitigate those risks.</p> <p><i>Carve-out method.</i> When service organization management elects the carve-out method, disclosure of the identity of the subservice organization may be useful to user entities or business partners who want to obtain information about and perform procedures related to the services provided by the subservice organization.</p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
<p>assurance that the service organization's service commitments and system requirements are achieved</p> <p>iii. Relevant aspects of the subservice organization's infrastructure, software, people, procedures, and data</p> <p>iv. The portions of the system that are attributable to the subservice organization</p> <p>b. When service organization management decides to use the carve-out method:</p> <p>i. The nature of the service provided by the subservice organization</p> <p>ii. Each of the applicable trust services criteria that are intended to be met by controls at the subservice organization</p> <p>iii. The types of controls that service organization management assumed, in the design of the service organization's system, would be implemented by the subservice organization that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements are achieved (commonly referred to</p>	<p>Complementary subservice organization controls (CSOCs) are controls that service organization management assumed, in the design of the system, would be implemented by subservice organizations and are necessary, in combination with controls at the service organization to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved. When using the carve-out method, the description would identify the broad category of CSOCs or the types of individual controls that the subservice organization is assumed to have implemented. To be meaningful to report users, only CSOCs that are specific to the services provided by the system should be described.</p> <p>It is important that the subservice organization's responsibilities for implementing those CSOCs are included in the description; it is also important that the description indicates that the related service commitments and system requirements can be achieved only if the CSOCs are suitably designed and operating effectively during the period addressed by the description.</p> <p>The description may also include disclosures that identify those instances in which the service organization achieves its service commitments and system requirements solely by the operation of service organization controls and those instances in which a combination of controls at the service organization and CSOCs are necessary to provide reasonable assurance that the service organization's service commitments and system requirements were achieved.</p> <p>Examples of CSOCs include the following:</p> <ul style="list-style-type: none"> <li>• Controls relevant to the completeness and accuracy of transaction processing on behalf of the service organization</li> <li>• Controls relevant to the completeness and accuracy of specified reports provided to and used by the service organization</li> <li>• Logical access controls relevant to the processing performed for the service organization</li> <li>• Controls over the procedures to detect and respond to potential system incidents</li> </ul>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
<p>as complementary subservice organization controls or CSOCs)</p>	<ul style="list-style-type: none"> <li>• The processes in place to communicate significant system incidents and deviations in the effectiveness of controls to service organization management</li> <li>• The risk assessment process and the policies and procedures implemented to mitigate those risks</li> <li>• Activities such as internal audit procedures or quality control reviews that the subservice organization has in place to monitor the effectiveness of its control activities</li> </ul> <p>The description is presented in accordance with this criterion if the CSOCs are complete, accurately described, and relevant to the service organization’s achievement of the service commitments and system requirements related to the system being described.</p> <p><i>Other matters.</i> A service organization that uses multiple subservice organizations may prepare its description using the carve-out method for one or more subservice organizations and the inclusive method for others.</p> <p>Regardless of the method service organization management selects, the description would disclose controls designed to provide reasonable assurance that the service organization’s service commitments and system requirements are achieved, which include controls that the service organization uses to monitor the services provided by the subservice organization. Such monitoring controls may include a combination of the following:</p> <ul style="list-style-type: none"> <li>• Testing of controls at the subservice organization by members of the service organization’s internal audit function</li> <li>• Reviewing and reconciling output reports</li> <li>• Holding periodic discussions with the subservice organization personnel and evaluating subservice organization performance against established service-level objectives and agreements</li> <li>• Making site visits to the subservice organization</li> </ul>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<ul style="list-style-type: none"> <li>• Inspecting type 2 SOC 2 reports on the subservice organization’s system</li> <li>• Monitoring external communications, such as complaints from user entities relevant to the services performed by the subservice organization</li> </ul>
<p><b>DC8:</b> Any specific criterion of the applicable trust services criteria that is not relevant to the system and the reasons it is not relevant</p>	<p>If one or more applicable trust services criteria are not relevant to the system being described, service organization management includes in the description an explanation of why such criteria are not relevant. For example, an applicable trust services criterion may not be relevant if it does not apply to the services provided by the service organization.</p> <p>Assume user entities — not the service organization — collect personal information from the user entities’ customers. When the description addresses controls over privacy, service organization management would not disclose in its description the user entities’ controls over collection; however, the reason for that omission would be disclosed. In contrast, the existence of a policy prohibiting certain activities is not sufficient to render a criterion not applicable. For example, when the description addresses controls over privacy, it would be inappropriate for service organization management to omit from the description disclosures of personal information to third parties based only on the fact that the service organization’s policies forbid such disclosures. Instead, the description would describe the policies and related controls for preventing or detecting such disclosures.</p> <p>If a criterion is relevant to the services provided, it is relevant even if all components of the system used to provide the related aspect of the services have been outsourced to a subservice organization. For example, a service organization uses an infrastructure-as-a-service cloud provider for all IT systems related to the services provided. The subservice organization is responsible for deleting information from its hosting environment before ending logical and physical access of storage devices. Because the service organization still has a contractual commitment to protect the information of its customers, CC6.5, <i>The entity discontinues logical and physical protections over physical assets only after the ability to read or recover</i></p>

<i>Description Criteria</i> <sup>fn 10</sup>	<i>Implementation Guidance</i>
	<p><i>data and software from those assets has been diminished and is no longer required to meet the entity's objectives</i>, is still relevant, even if the subservice organization is carved out.</p> <p>The description may also include a disclosure that all the trust services criteria for the category or categories addressed by the description are relevant to the system.</p>
<p><b>DC9:</b> In a description that covers a period of time (type 2 examination), the relevant details of significant changes to the service organization's system and controls during that period that are relevant to the service organization's service commitments and system requirements</p>	<p>Significant changes to be disclosed consist of those that are likely to be relevant to the broad range of report users. Disclosure of such changes is expected to include an appropriate level of detail, such as the date the changes occurred and how the system differed before and after the changes.</p> <p>Examples of significant changes to a system include the following:</p> <ul style="list-style-type: none"> <li>• Changes to the services provided</li> <li>• Significant changes to IT and security personnel</li> <li>• Significant changes to system processes, IT architecture and applications, and the processes and system used by subservice organizations</li> <li>• Changes to legal and regulatory requirements that could affect system requirements</li> <li>• Changes to organizational structure resulting in a change to internal control over the system (for example, a change to the legal entity)</li> </ul> <p>The description may also include a statement that there were no significant changes to the system that are relevant to the service organization's service commitments and system requirements.</p>

## Appendix — Glossary

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For purposes of this document, the following terms have the meanings attributed as follows:

**applicable trust services criteria.** The criteria codified in TSP section 100, *2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (With Revised Points of Focus – 2022)*, used to evaluate controls relevant to the trust services category or categories included within the scope of a particular examination.

**board or board of directors.** Individuals with responsibility for overseeing the strategic direction of the service organization and the obligations related to the accountability of the service organization. Depending on the nature of the service organization, such responsibilities may be held by a board of directors or supervisory board for a corporation, a board of trustees for a not-for-profit service organization, a board of governors or commissioners for a government service organization, general partners for a partnership, or an owner for a small business.

**boundaries of the system (or system boundaries).** The boundaries of a system are the specific aspects of a service organization's infrastructure, software, people, procedures, and data necessary to provide its services. When systems for multiple services share aspects, infrastructure, software, people, procedures, and data, the systems will overlap, but the boundaries of each system will differ. In a SOC 2 engagement that addresses the confidentiality and privacy criteria, the system boundaries cover, at a minimum, all the system components as they relate to the life cycle of the confidential and personal information within well-defined processes and informal ad hoc procedures.

**business partner.** An individual or business (and its employees), other than a vendor, that has some degree of involvement with the service organization's business dealings or agrees to cooperate, to any degree, with the service organization (for example, a computer manufacturer who works with another company that supplies it with parts).

**carve-out method.** Method of addressing the services provided by a subservice organization in which the components of the subservice organization's system used to provide the services to the service organization are excluded from the description of the service organization's system and from the scope of the examination. However, the description identifies (1) the nature of the services performed by the subservice organization; (2) the types of controls expected to be performed at the subservice organization that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements were achieved; and (3) the controls at the service organization used to monitor the effectiveness of the subservice organization's controls.

**complementary subservice organization controls.** Controls that service organization management assumed, in the design of the service organization's system, would be implemented by the subservice organization that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements are achieved.

**complementary user entity controls.** Controls that service organization management assumed, in the design of the service organization's system, would be implemented by user entities and are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved.

**controls at a service organization.** The policies and procedures at a service organization that are part of the service organization's system of internal control. Controls exist within each of the five COSO internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. The objective of a service organization's system of internal control is to provide reasonable assurance that its service commitments and system requirements are achieved.

**controls at a subservice organization.** The policies and procedures at a subservice organization that are relevant to the service organization's achievement of its service commitments and system requirements.

**criteria.** The benchmarks used to measure or evaluate the subject matter.

**data controller.** An organization that (alone or jointly with others) determines the purposes for and the means by which personal data is processed.

**data processor.** An organization that processes personal data at the direction of a data controller. In many cases, a service organization may process personal data for its business-to-business (B2B) customers (user entities), which in turn may function as data controllers. In other cases, a service organization may function as a data controller, depending on the facts and circumstances.

**external users.** Users, other than entity personnel, who are authorized by entity management, customers, or other authorized persons to interact with the entity's information system.

**inclusive method.** Method of addressing the services provided by a subservice organization in which the description of the service organization's system includes a description of the (a) the nature of the services provided by the subservice organization and (b) the components of the subservice organization's system used to provide services to the service organization, including the subservice organization's controls that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements were achieved. (When using the inclusive method, controls at the subservice organization are subject to the service auditor's examination procedures. Because the subservice organization's system components are included in the description, those components are included in the scope of the examination.)

**information life cycle.** The collection, use, retention, disclosure, disposal, or anonymization of confidential or personal information within well-defined processes and informal ad hoc procedures.

**intended users.** Individuals or entities that the service organization intends will be report users.

**internal control.** A process, effected by a service organization's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

**operating effectiveness (or controls that are operating effectively).** Controls that operate effectively provide reasonable assurance of achieving the service organization's service commitments and system requirements based on the applicable trust services criteria.

**personal information.** Information that is about, or can be related to, an identifiable individual.

**policies.** Management or board member statements of what should be done to effect control. Such statements may be documented, explicitly stated in communications, or implied through actions and decisions. Policies serve as the basis for procedures.

**process or control framework.** A framework that contains a set of processes or controls, established by another party, that organizations are expected to implement in support of establishing an effective system of internal control. These frameworks are usually developed by an industry group, regulator, governmental entity, standard-setting body, or other organization (collectively referred to as *sponsoring organizations*) to obtain information from organizations with which they do business about their processes or controls. The most common types of process or control frameworks relate to security and privacy.

**privacy notice.** A written communication by entities that collect personal information, to the individuals about whom personal information is collected, about the entity's (a) policies regarding the nature of the information that they will collect and how that information will be used, retained, disclosed, and disposed of or anonymized and (b) commitment to adhere to those policies. A privacy notice also includes information about such matters as the purpose of collecting the information, the choices that individuals have related to their personal information, the security of such information, and how individuals can contact the entity with inquiries, complaints, and disputes related to their personal information. When a user entity collects personal information from individuals, it typically provides a privacy notice to those individuals.

**report users (specified users or specified parties) of a SOC 2 report.** In this document, the term refers to users of a SOC 2 report. The service auditor's report included in a SOC 2 report ordinarily includes an alert restricting the use of the report to specified parties who possess sufficient knowledge and understanding of the service organization and the system to understand the report. The expected knowledge is likely to include an understanding of the following matters:

- The nature of the service provided by the service organization
- How the service organization's system interacts with user entities, business partners, sub-service organizations, and other parties
- Internal control and its limitations



- Complementary user entity controls and complementary subservice organization controls and how those controls interact with the controls at the service organization to achieve the service organization's service commitments and system requirements
- User entity responsibilities and how they may affect the user entity's ability to effectively use the service organization's services
- The applicable trust services criteria
- The risks that may threaten the achievement of the service organization's service commitments and system requirements and how controls address those risks

Users likely to possess such knowledge include user entities and their personnel, business partners and their personnel, practitioners providing services to such user entities and business partners, prospective user entities and business partners, and regulators who understand how the service organization's system may be used to provide the services.

**sensitive information.** Sensitive information varies from organization to organization but often includes nonpublic information such as the following: regulatory compliance information; financial information used for both internal and external reporting purposes; confidential sales information, including customer lists; confidential wholesale pricing information and order information; confidential product information, including product specifications, new design ideas, and branding strategies; and proprietary information provided by business partners, including manufacturing data, sales and pricing information, and licensed designs. Sensitive information also includes personal information.

**service auditor.** As used in this document, a CPA who performs a SOC 2 examination of controls within a service organization's system relevant to security, availability, processing integrity, confidentiality, or privacy.

**service commitments.** Declarations made by service organization management to user entities and others (such as user entities' customers) about the system used to provide the service. Service commitments can be communicated in written individualized agreements, standardized contracts, service-level agreements, or published statements (for example, in a security practices statement).

**service organization.** An organization, or segment of an organization, that provides services to user entities.

**SOC 2 examination.** An examination engagement to report on whether (a) the description of the service organization's system is in accordance with the description criteria, (b) the controls were suitably designed to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria, and (c) in a type 2 report, the controls operated effectively to provide reasonable assurance that the service organization's service commitments and system requirements were achieved based on the applicable trust services criteria. The SOC 2 examination is performed in accordance with the attestation standards and AICPA Guide *SOC 2® Reporting on an Examination of Controls at a*

*Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy.*

**subsequent events.** Events or transactions that occur after the specified period covered by the engagement, but prior to the date of the service auditor's report, which could have a significant effect on the evaluation of the presentation of the description of the service organization's system or the evaluation of the suitability of design and operating effectiveness of controls.

**subservice organization.** A vendor used by a service organization that performs controls that are necessary, in combination with controls at the service organization, to provide reasonable assurance that the service organization's service commitments and system requirements were achieved.

**suitability of design (or suitably designed controls).** Controls are suitably designed if they have the potential to provide reasonable assurance that the service organization's service commitments and system requirements would be achieved. Suitably designed controls are operated as designed by persons who have the necessary authority and competence to perform the control.

**system.** Refers to the infrastructure, software, procedures, and data that are designed, implemented, and operated by people to achieve one or more of the organization's specific business objectives (for example, delivery of services or production of goods) in accordance with management-specified requirements.

**system components.** Refers to the individual elements of a system, which may be classified into the following five categories: infrastructure, software, people, procedures, and data.

**system event.** An occurrence that could lead to the loss of, or disruption to, operations, services, or functions and could result in a service organization's failure to achieve its service commitments or system requirements. Such an occurrence may arise from actual or attempted unauthorized access or use by internal or external parties and (a) impair (or potentially impair) the availability, integrity, or confidentiality of information or systems; (b) result in unauthorized disclosure or theft of information or other assets or the destruction or corruption of data; or (c) cause damage to systems. Such occurrences also may arise from the failure of the system to process data as designed or from the loss, corruption, or destruction of data used by the system.

**system incident.** A system event that requires action on the part of service organization management to prevent or reduce the impact of the event on the service organization's achievement of its service commitments and system requirements.

**system requirements.** Specifications regarding how the system should function to (a) meet the service organization's service commitments to user entities and others (such as user entities' customers); (b) meet the service organization's commitments to vendors and business partners; (c) comply with relevant laws and regulations and guidelines of industry groups, such as business or trade associations; and (d) achieve other objectives of the service organization that are relevant to the trust services category or categories addressed by the description. Requirements are often specified in the service organization's system policies and procedures, system design documentation, contracts with customers, and government regulations.

**user entity.** An entity that uses the services provided by a service organization.

**vendor.** An individual or business (and its employees) engaged to provide services to the service organization. Depending on the services a vendor provides (for example, if it operates certain controls on behalf of the service organization that are necessary, in combination with the service organization's controls, to provide reasonable assurance that the service organization's service commitments and system requirements were achieved), a vendor might also be a subservice organization.



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