

September 13, 2018

# Will Cloud Service Providers' SOC 2 Reports Satisfy SaaS Companies' Customer Assurance Needs?

[RISK ADVISORY/INTERNAL AUDIT, SSAE 18/SOC](#)

BY [GREG POYNTON](#)

SHARE WITH A COLLEAGUE



DOWNLOAD PDF



Software-as-a-Service (SaaS) companies tend to provide services that require their customers to entrust them with their sensitive data. Therefore, customers of SaaS companies need to obtain assurance over the controls in place at SaaS companies to be certain their data is appropriately protected. In order to obtain the appropriate level of assurance, customers require their SaaS companies to provide them with System and Organization Control (SOC) 2 reports.

SOC 2 reports focus on a company's internal controls as they relate to security, availability, processing integrity, confidentiality, and/or privacy of a system. Companies are not required to address all of the categories; the examinations should be limited only to the categories relevant to the services being provided. As part of its SOC 2 examination, a CPA firm will test relevant controls over a specified period of time (SOC 2 Type 2) or as of a point in time (SOC 2 Type 1) and document the results in a SOC 2 report, which can then be provided to customers.

A common misconception among SaaS companies is the belief that providing customers with their third-party cloud service provider's (e.g., Amazon Web Services) SOC 2 report will sufficiently address their customers' desired level of assurance. Unfortunately, this is not the case. While the cloud service provider's SOC 2 report gives customers assurance that their data is physically secured, it will not address the SaaS company's key controls relating to logical security, security monitoring and change management over source code.

SOC 2 reports address multiple key areas, including but not limited to: logical access, security event monitoring and change management. SaaS customers want to understand who can access their data, how their data is protected from inappropriate access, both internally and externally (i.e., encryption, network security, etc.), and how their data will remain safe when application changes are made by the SaaS company.

In conclusion, SaaS companies need their own SOC 2 reports, even when the services being provided are hosted in a third-party cloud environment. SaaS companies must provide their customers with their own SOC 2 reports, in conjunction with their third party's SOC 2 report, to provide comprehensive assurance to customers that their data is appropriately secured, both logically and physically.

For additional information on SOC 2 examinations, visit Schneider Downs' "Frequently Asked Questions about SOC Reports" here: <https://www.schneiderdowns.com/soc-report-faq>.

Please [contact us](#) if you are interested in learning about our SOC 2 examinations and how Schneider Downs can help you meet your customers' requirements.

SHARE



## You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at [contactSD@schneiderdowns.com](mailto:contactSD@schneiderdowns.com).

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2019 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).

OUR THOUGHTS ON

[FINANCIAL SERVICES, RISK ADVISORY/INTERNAL AUDIT](#) BY [ERIC FAIR](#)

7.22.2019

The Privacy of Consumer Banking Data and the Financial Data Exchange

[READ MORE >](#)

Register to receive our weekly newsletter with our most recent columns and insights.

SUBSCRIBE FOR UPDATES

## MOST RECENT

### The Stages of Wealth

**401(K) PLANS, WEALTH MANAGEMENT**  
**BY ALISSA SHAWL | 8.15.2019**

Although everyone's situation is different, most people will go through various stages of wealth development throughout their lifetime. Over the ...

[READ MORE](#)

## MOST POPULAR

### Tax Treatment of Deferred Revenue in a Taxable Stock Acquisition

**MERGERS AND ACQUISITIONS, TAX**  
**BY GARY SLIMAN | 6.1.2016**

The general rule under Internal Revenue Code §451 is that an item of income shall be included in gross income for the taxable year or receipt unless ...

[READ MORE](#)



## Have a question? Ask us!

We'd love to hear from you. Drop us a note, and we'll respond to you as quickly as possible.

[ASK US](#)

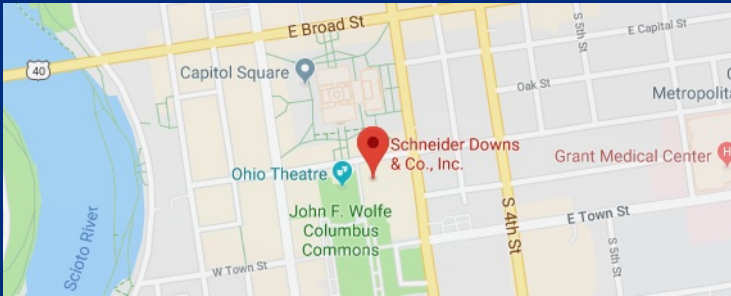
[CONTACT US](#)



### PITTSBURGH

One PPG Place, Suite 1700  
Pittsburgh, PA 15222

[contactsd@schneiderdowns.com](mailto:contactsd@schneiderdowns.com)  
p:412.261.3644 f:412.261.4876



### COLUMBUS

65 East State Street, Suite 2000  
Columbus, OH 43215

[contactsd@schneiderdowns.com](mailto:contactsd@schneiderdowns.com)  
p:614.621.4060 f:614.621.4062



### WASHINGTON, D.C.

1660 International Drive, Suite 600  
McLean, VA 22102

[contactsd@schneiderdowns.com](mailto:contactsd@schneiderdowns.com)  
p:571.380.9003



An Association of  
Independent Accounting Firms

FOLLOW US



CLIENT PORTAL



SUBSCRIBE FOR UPDATES

E-mail

SUBMIT



[PRIVACY POLICY](#)

## LEGAL INFORMATION

### SITE MAP

Schneider Downs is a Top 60 independent Certified Public Accounting (CPA) firm providing accounting, tax, audit and business advisory services to public and private companies, not-for-profit organizations and global companies. We also offer Internal Audit; Technology Consulting; Software Solutions; Personal Financial Services; Retirement Plan Solutions and Corporate Finance Services. Schneider Downs is the 13th largest accounting firm in the Mid-Atlantic region and serves individuals and companies in Pennsylvania (PA), Ohio (OH), West Virginia (WV), New York (NY), Maryland (MD), and additional states in the United States with offices in Pittsburgh, PA and Columbus, OH.

© 2019 Schneider Downs & Co., Inc. Maryland license number 35239