



SAS70 Type II Information

Statements on Auditing Standards

- SAS 70 is a widely recognized professional audit standard.
- "SAS" stands for Statement on Auditing Standards.
- Statements on Auditing Standards are developed by the American Institute of Certified Public Accountants (AICPA) and represent professional standards that Certified Public Accountants (CPAs) must follow when conducting audits.
- The AICPA is the national professional organization for CPAs.

SAS Number 70

- SAS 70 (each SAS is numbered) is a particular Statement on Auditing Standards entitled "Service Organizations."
- SAS 70 codifies standards for audits of a service organization that may be relevant to the internal controls of the service organization's clients.
- A client company's auditors may need assurances about the service provider's controls to fulfill their professional audit obligations when auditing the client.
- SAS 70 affords a means to deliver such assurances.

Types of SAS 70 Examinations

- Type I - Includes the following:
 - » A description of detailed controls
 - » Whether the specified controls are suitably designed to achieve broader control objectives
 - » Whether the specified controls had been placed in operation as of a specific date
 - » An auditor's opinion attesting to the information in the report, but disclaiming any opinion on the operating effectiveness of the controls
- Type II - Includes the first three items in the Type I report, plus:
 - » A description of specific tests applied to controls and the results of those tests
 - » Whether the specified, tested controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved during the period specified
 - » An auditor's opinion attesting to the information in the report, that excludes the Type I disclaimer noted above
- The Type II form is the most stringent, and details the specific tests and their results.
 - » Client auditors are allowed to rely more extensively on a Type II report, potentially reducing audit costs for the client.



Scope of SAS 70 Examinations

- SAS 70 examinations can flexibly address a wide variety of control objectives.
- Control objectives to be examined are typically specified by the service providers themselves, in consideration of client or regulatory needs.

Why SAS 70 Matters to NCP's Clients and Potential Clients

- **Outsourcing developments**
 - Companies increasingly outsource highly sensitive aspects of their businesses.
 - In such cases, assurances from service providers that outsourcing services are carefully controlled become more important to client auditors, management and Boards of Directors.
 - Since the scope of SAS 70 examinations is flexible, SAS 70 examinations are broadly applicable and can help provide such assurances.
- **Regulatory developments**
 - Recent, continuing regulatory developments require increased vigilance over internal controls, customer privacy and data security. Critical outsourcing relationships can fall within the scope of these regulations.