

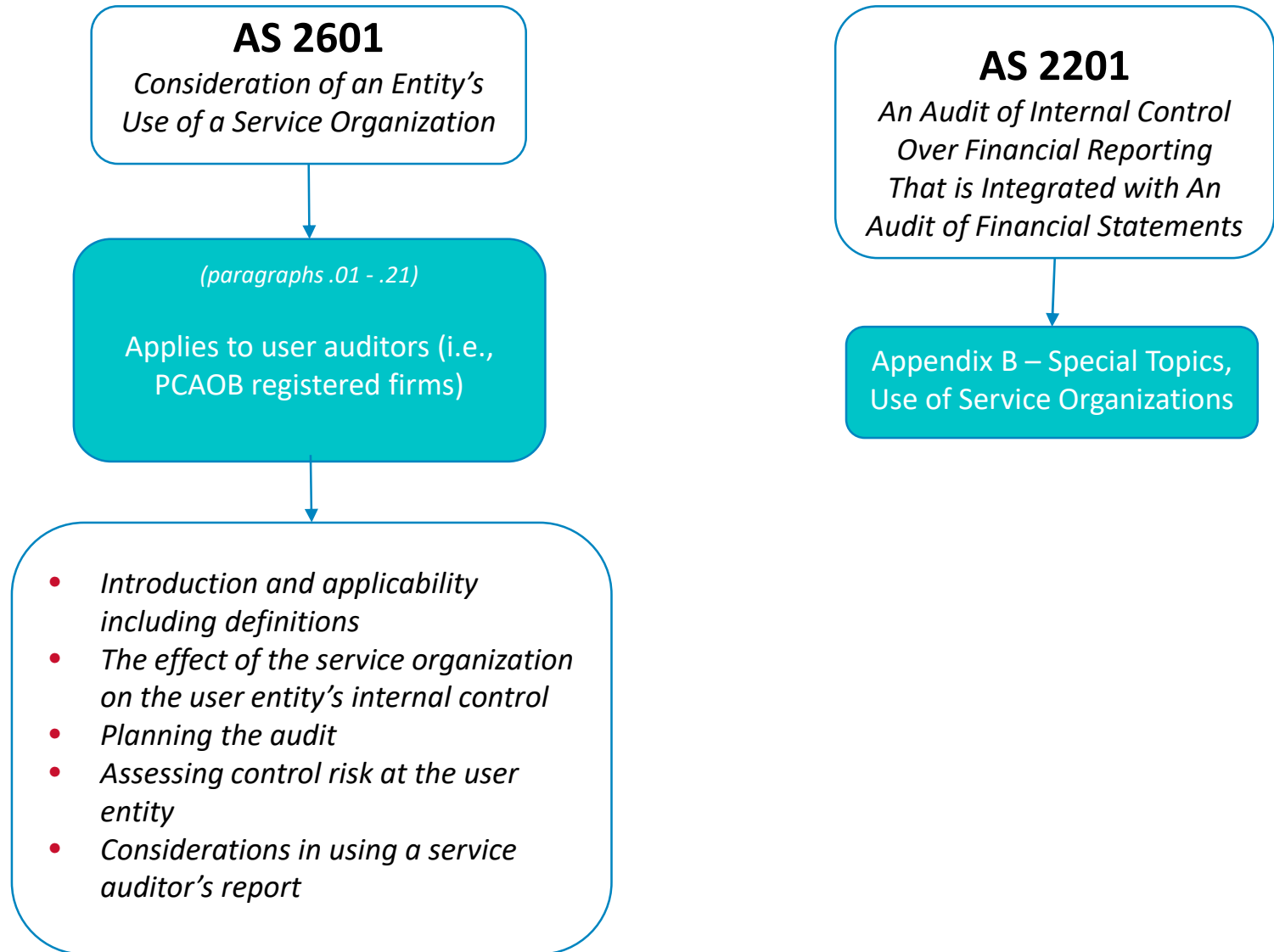
Use of a Service Organization

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AGENDA

- Background
 - PCAOB Standards that address Service Organizations
- Topics for Discussion

STANDARDS ADDRESSING SERVICE ORGANIZATIONS



RELEVANT PARTIES

Service Organization

The entity that provides services to a user organization that are part of the user organization's information system.

Most commonly, user organizations outsource the processing of transactions to service organizations.

Examples include:

Payroll: ADP, Paycor

Certain Brokerage Services: Fidelity, Broadridge

Certain Mortgage Servicers: Wells Fargo, JPMorgan

Service Auditor

The auditor who reports on controls of a service organization that may be relevant to a user organization's internal control.

This auditor is engaged by the service organization and commonly issues a service auditor's report.

User Organization

The entity that has engaged a service organization and whose financial statements are being audited.

User organizations include SEC issuers and broker dealers.

User Auditor

The auditor who reports on the financial statements of the user organization.

User auditors include PCAOB registered audit firms. Registered firms use AS 2601 when considering an entity's use of a service organization. This may include obtaining a service auditor's report from a service organization.

TOPICS FOR DISCUSSION (1/2)

- **Topic: Uses of service organizations that are part of a company's "information system"**
 - What functions within a company's "information system" are service organizations used for?
 - How do outsourced services relate to a company's operations? How does a company's risk assessment process consider the risks related to outsourced services?
 - Is the existing description in AS 2601 of when a service organization is part of a company's information system adequate? If not, how should it be changed?
 - What auditor considerations should a standard on the use of service organizations address (e.g., user controls, sub-servicers)?

TOPICS FOR DISCUSSION (2/2)

- **Topic: Availability and usage of service auditor's reports**
 - How does a company determine whether to obtain a service auditor's reports? What does a company do when a service auditor's report is not available?
 - Are you aware of third-party service providers that may fall outside of the scope of AS 2601 but have a service auditor's report available?
 - What procedures should the auditor perform when a service auditor's report is available?
 - What procedures should the auditor perform when a service auditor's report is unavailable?