

SSAE 18: 4 KEY CHANGES IN AUDIT STANDARDS



Financial institutions outsource services to vendors more than they ever have, and the definition of those vendors has expanded. The new SSAE 18 audit standards that were announced in April 2016 (and take effect for all audit reports beginning on May 1, 2017) now require new controls and reporting standards for organizations to monitor these vendors.

There are four key differences with the new SSAE 18 stipulations over the previous SSAE 16 standards:

VENDOR MANAGEMENT:

An organization's third (and fourth, and fifth, etc) party vendors, which are otherwise known as "Subservice Organizations," must have clearly defined responsibilities for each party, documented performance reviews that include regular audits and finding reviews.

RISK ASSESSMENT:

Part of the reporting controls for each subservice organization should include details on their established risk management programs, including explanations outlining the effectiveness of its controls and processes for remediation.

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COMPLEMENTARY SUBSERVICE ORGANIZATION CONTROLS:

Organizations must ensure that user control considerations are documented and tested. Additionally, any subservice organizations the current vendor utilizes to support their own operations, *must maintain the same standard of practice regarding user controls.*

WRITTEN ASSERTION REQUIREMENT:

Management will be expected to provide an additional layer of assurance in the form of written documentation that attests to the true and complete scope of the system descriptions making sure that the applicable vendors are identified in the scope of the audit.

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These key differences in scope from SSAE 16 to SSAE 18 boil down to one concept: **financial institutions will now have the ability to delve deeper into the workings of their vendors.**

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It will no longer be enough for financial institutions to trust a vendor to manage its own vendors; banks and credit unions will need to review and analyze their vendors' dependency on fourth party vendors. Failure to manage these third or fourth party vendor risks can create compliance issues and seriously undermine the safety and soundness of the financial institution.

SSAE 18 is only the tip of the iceberg--regulations are changing all the time, and part of vendor management includes staying up to date with these changes.

Ncontracts offers the vendor management solutions and services to ensure your organization's compliance.

For more information, or questions on the SSAE 18 audit standards and how this affects your financial institution, please **contact us** for a consultation and demo.