

Management Directive 325.12, [\*Standards for Internal Controls in Commonwealth Agencies\*](#), was effective on July 1, 2015. This MD establishes policy, responsibilities, and procedures for implementing effective internal control systems within Commonwealth agencies. With this MD, the Commonwealth is adopting the U.S. Government Accountability Office's, *Standards for Internal Control in the Federal Government* (often referred to as Green Book). Green Book now incorporates updated principles which include control activities over Information Technology to support the achievement of objectives. Specifically, Principle #11 of the Green Book notes that "Management should design the entity's information system and related control activities to achieve objectives and respond to risks."

Per section 6 of MD 325.12, agency management has the responsibility to "Obtain independent reports for all service organizations that support agency processes to confirm the operating effectiveness of the service organization's controls."

As a result of this requirement, as well as the continued need for assurance that the Commonwealth's service organizations' are managing data and services effectively and in compliance with information processing standards, security standards, and best practices, the Office of the Budget's Bureau of Audits has developed guidance to assist agencies with understanding the need for assurance and the types of independent reports available.

The guidance includes:

- Understanding services provided to your agency by third-parties
  - o Service organizations
  - o Need for assurance
- Overview of Service Organization Control (SOC) reports
  - o SOC report types
  - o Examples
- Reviewing SOC reports
  - o Received timely and in accordance with contract
  - o Evaluate results and review complementary user entity controls (CUECs)
  - o Evaluate deficiencies and ensure corrective action

Please contact Allison Morgan ([allmorgan@pa.gov](mailto:allmorgan@pa.gov)), Assistant Director, Central Audit Services Division, for this guidance or to schedule a meeting to discuss.