

# SOC Reporting | What Happens in the Second Year? | Transcript

Griffin Dickerson & Bryan Gayhart

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Griffin Dickerson:

Hi, welcome to Barnes Dennig Ask the Experts. I'm Griffin Dickerson, and today I'm here with Bryan Gayhart, and we are talking about second year SOC report. So Bryan, after the first report is issued, what happens? What's the next step?

Bryan Gayhart:

Yeah, that's a great question. We get that a lot, especially in the proposal process. People really want to know, "Okay, I'm going through it the first time. I know what my criteria are. I want to meet them. And then what happens? Where do we go from there?" So typically that first SOC report is a type one report, right? So control's in place as of a point in time. And then most commonly, they start the period on a SOC two type two or a SOC one type two.

The key there is though the type two, which covers a period of time. And most commonly, it's 12 months. Sometimes you see something that's three months, maybe it's six months, maybe it's nine months. And there're different reasons for that. Occasionally there's a contract that requires a shorter period. They need that type two report to meet that contractual requirement.

Occasionally though, they just want to line it up to a better time for the business. So maybe summertime's easier to deal with the type two report. So you're going to put that period that ends at a time that's most convenient for you or when you need it contractually, or you just run it for 12 months. Most SOC reports run for 12 months.

Griffin Dickerson:

Great. Thanks, Bryan. After that first report, when do we start the second?

Bryan Gayhart:

Yeah, that's a great question. We get that a lot in the proposal process. People really want to know, "Okay, I've gotten through my first report. What happens now?" And we do a couple things to try and make that a simple process for our clients. One is a monthly check-in. We like to stay up to date on things that have changed, whether it's in their control environment, the business, whatever it may be. It's a lot easier to know if you check in monthly than if you cycle back in 12 months and ask, "Hey, what

changed in the past 12 months?" And then to kind of answer the question in more detail, let's look at an example.

So if you have a period that ends December 31st, we're going to want to start that process three months before that period ends. And we're going to get that process rolling with kind of the easy stuff, if you will. We're going to focus on policies, procedures, those sorts of things, which tend to be updated annually. And then as we get closer to the end of the period, we're going to look at more of the automated controls or the things that happen on recurring basis throughout the period.

And then we come to the end of the period and then we're going to focus on what's left. So that's all the things that happened numerous times throughout the period where we need that population. So think of new hires, think of terminated employees, think of software development changes or transactional controls. We want to get that population because we're going to either pick all, or most likely we're going to pick a sample depending upon how large that population is. And then we want to test those items as quickly as we can after the period ends. And really what we do there is just trying to make sure that we get to that end report.

We want the report to be done in a timely manner. And for us, that's typically within 60 days of the period ending. So that way it's relevant to their customers, to the end users, to the readers, so that they have a report pretty timely after that period has ended.

Griffin Dickerson:

So what are some of the biggest challenges you face in this segment?

Bryan Gayhart:

Yeah, most commonly, it's just keeping up with that control environment. So in that first report, we've outlined all the controls that meet the criteria or meet the control objectives if you're doing a SOC one. And then it's really up to management at that point. They need to find a mechanism to track those controls and make sure they're following their procedures because ultimately that's what we're going to score them on or grade them on. And that's what our testing is going to show when we get into that report is how well those controls have operated over a given period of time.

Griffin Dickerson:

Great, great. And then how long does this process take?

Bryan Gayhart:

Yeah. So like I said, we kind of start about three months before the period ends and it's kind of a slow process. And I don't want to say slow, it's probably not the right word, but we want to make it easy for you to deal with, because you've got a day job, you've got other tasks you have to do, and we're doing the audit on top of that. So we want to make it manageable. And we think that that creates an efficient process by starting early, agreeing on a timeline, and then ultimately you can get a report, our goal is about 60 days after the period ends. So if you look at a type two and you say it covers five months, but



it's not every day, every week for five months, it's a slow methodical process over that five month period to make it manageable.

Griffin Dickerson:

Well, that's great, Bryan. Thanks for watching. If you want us to learn more, go ahead and check some of our other videos out at [BarnesDennig.com](http://BarnesDennig.com).