

Choosing the Right System & Organization Controls Provider



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Introduction

Dilemma

Your largest client is demanding a System & Organization Controls (SOC) report to continue your professional relationship; The lack of a SOC report is becoming a consistent barrier to prospective clients and your larger prospective clients will not even consider utilizing your services without a SOC report. The Board of Directors is demanding more insight into your internal controls.

Solution

You need a SOC examination.

At Mueller, we understand that finding the right SOC audit partner for your Company can be an intimidating process, but it is also an important decision to ensure a successful SOC examination experience and satisfied new and potential clients.

Covering the Basics

Overview

A SOC examination can only be performed and issued by an independent Certified Public Accountant (CPA). CPAs are not historically known for their knowledge of Information Technology (IT) but in today's professional environment it has become critical. IT considerations are crucial in SOC examinations, so selecting an auditor that has the appropriate IT knowledge and background to provide valuable guidance and perform a quality examination, will be key to not only your report's success but gaining and maintaining customer loyalty.

SOC Criteria

Before you begin your search, it is crucial to have a good understanding of the SOC criteria your Company is being asked to meet, the type of report, and expected timelines and deadlines. These are discussions that you can have with the audit firms you are interviewing to ensure expectations are aligned. Potential audit firms can also assist you in understanding which criteria are most relevant and need to be met.



We believe the keys to choosing the right SOC auditor for your Company are firm reputation and expertise, a practical approach, early engagement, price, and experience and continuity.

Firm Reputation and Expertise

SOC Expertise

First and foremost, you should look for firms with adequate knowledge and expertise by recognizing IT-related professional accreditations above and beyond a CPA license, such as CISA (Certified Information Systems Auditor®) or CITP (Certified Information Technology Professional®) in your SOC team. There are various other certificates and credentials that may be applicable, but the CISA and CITP accreditations are the most relevant to performing an audit over IT systems and related controls. During the selection process, it is also important to ask for SOC client references to help gain an understanding of the potential audit firms' client base. Audit firms with clients in similar industries or service offerings as yours is usually a good sign.

Peer Review

You should also verify that any SOC auditors you are considering are participants in the AICPA Peer Review program. All CPA firms performing SOC audits are required to undergo a peer review every three years. When selecting your SOC auditor, verify that the SOC auditor has a grade of "Pass" on their most recent peer review report.

Practical Approach



Process and a practical approach are the most important factors in the selection of an audit firm. Understanding how a firm approaches an audit from a high level is key before selection occurs.

Unlike many compliance standards out there today, SOC requirements are inherently less prescriptive at a detailed level. The standards call for a risk-based approach dependent on the size, complexity, and nature of your Company and the system being evaluated. This means that to meet specific SOC criteria, your Company's controls may look different than others to meet that same criteria. Remember, you are the expert in your Company and understand the risks involved in delivering your services. Auditors can provide guidance and input based on knowledge and experience, but at the end of the day, you decide which controls address the risks in your organization to meet the criteria.

Early Engagement

Early Meetings

A sign of a good auditor is one whose team is available and willing to take meetings with you even before signing an engagement letter. During those meetings you should be able to quickly identify answers to these questions:

- Does this firm *feel* like a good fit?
- Will our communication and working styles be cohesive for a successful relationship?
- Do they *understand* our Company and our needs?
- Does the firm appear to have adequate knowledge and are they able to answer the initial questions we have?

Readiness Assessment

Your SOC examination typically starts with a readiness assessment to help you document controls, identify gaps and weaknesses, and establish a plan to remediate those gaps and weaknesses. To get the smoothest SOC experience you should look to engage a firm that does both the readiness assessment and the SOC examinations. If your preference is to perform the readiness assessment internally or utilize a separate firm to do so, we highly recommend identifying a SOC audit firm at the same time and having them involved in the process to provide feedback in real-time rather than waiting until audit time. Going through a readiness assessment internally without any feedback from your selected firm can be risky. You want to make sure that the firm you have selected agrees that your new control set meets the SOC criteria from an auditor's perspective.



Price

It is important to understand your budget and carve out the details so that you can have the right mindset and funds set aside for the investment you are making.

If price is flexible, other than cost, you should ask, *'what differentiates this auditor from another?'*

Most firms are willing to assess your needs and provide formalized proposals that include estimated costs. This may be presented as a project-based cost or as an hourly rate. It is important to get competitive quotes to help your decision and to work with your auditor to come to a cost and billing schedule that fits your needs.

As with most services, with a SOC, you get what you pay for. Beware of extremely low-cost providers. There is a cost to performing a quality audit and the low-cost provider is either cutting corners or will find ways to bill additional fees during the audit. A fair fee for you and your auditor will result in better service and more value-added recommendations throughout the process.

Experience and Continuity of Service

Quality Indicators

There are various clues to help assess the expertise of a SOC auditor including, but not limited to, industry experience, website presence, certifications, peer review results, references, etc. Be sure you check references as these will give you the most insight on how an auditor operates and interacts with clients. References are good indicators of the kind of engagement experience you may encounter, especially those that are comparable to your Company in size, service offerings, and level of maturity.

Teamwork



Selecting an audit firm that works collaboratively with you will minimize the inherent pain of an audit and maximize performance and efficiency. Willingness to have open conversations and frequent communication is important. While the firm is technically your auditor, you want to feel as if they are a partner. Make sure the auditors you are considering do not seem to treat the relationship as adversarial.

Dedicated Team

Look for firms that have a dedicated SOC or Internal Controls-related service group. These firms are much more likely to have continuity of staff on your engagement each year. This is important as familiarity with personnel and management makes the audit process each year much smoother for your Company. The audit team that is familiar with your Company is more efficient and can assist your organization in continuous control environment improvement year over year. Firms with continuity of audit team staffing are also more likely to treat the relationship as a collaboration.

Conclusion

Understanding the process of what a SOC engagement involves, will allow you to make appropriate decisions based upon your Company's exposure and client needs.

To learn more about Mueller's SOC services and team members, visit our website or reach out to one of our SOC experts.

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