

VENDOR INTERVIEW QUESTIONNAIRE

The following document is designed to help facilitate the initial conversation between a service organization and a SAS 70 audit firm. These questions are intended to assist the service organization in collecting pertinent information about the SAS 70 audit firm. The service organization should not have to disclose any information regarding itself or the potential SAS 70 audit in order for the audit firm to fully respond to these questions.

BACKGROUND

How many SAS 70 audits have you personally performed?

Why is this important?

It is important to determine whether you are discussing your audit with a business developer or a practitioner before relying on the person's advice. Service organizations should consider requiring that experienced practitioners participate in all meetings and should consider vetting the practitioners' to verify relevant SAS 70 experience.

How would SAS 70 Solutions respond?

Our most experienced practitioners are responsible for assisting potential clients with their selection process. The personnel that field sales inquiries have individually completed over 200 SAS 70 audits.

Please describe the collective SAS 70 experience of your firm, as well as your local office.

Why is this important?

It is important to distinguish between the collective experience of an audit firm and the experience of the people most likely to perform your audit.

How would SAS 70 Solutions respond?

SAS 70 Solutions performs hundreds of SAS 70 audits each year. Our personnel are located strategically throughout the United States. We do not use a "local office" or regional approach, and therefore, this question is not applicable to our business model.

How many SAS 70 audit clients does your firm currently service? How many of these clients are serviced by your local office?

Why is this important?

It is critical to distinguish between an audit firm's aggregate experience and the experience of the personnel most likely to service your account.

How would SAS 70 Solutions respond?

SAS 70 Solutions is engaged to provide audit services to over 200 service organizations. These clients include many Fortune 1000 and publicly traded companies, as well as privately held companies of all sizes. Our aggregate experience is not the sum of "local office" experience. Rather, our aggregate experience is the collective experience of our practitioners. We are happy to describe the experience of our practitioners in detail during the vendor interview process. Additionally, we regularly post the aggregate experience of our personnel to the "About Us" section of our website.

What percentage of your firm's revenue is derived from its SAS 70 audit services?

Why is this important?

The response to this question should provide insight as to the level of focus the audit firm places on its SAS 70 audit service line.

How would SAS 70 Solutions respond?

Nearly 100% of SAS 70 Solutions' revenue is derived from its SAS 70 audit services.

What makes your firm unique in comparison to other vendors?

Why is this important?

This question is a great opportunity for the audit firm to explain why it is significantly different from its competitors.

How would SAS 70 Solutions respond?

SAS Solutions is a licensed CPA firm. As such, we have much in common with our competitors. We are unique in that we were the first audit firm in the United States to concentrate its services entirely on SAS 70 audits. We are also the largest non-"Big 4" provider of SAS 70 audits.

METHODOLOGY

Please describe your firm's SAS 70 audit methodology.

Why is this important?

This question is designed to determine whether the vendor is able to clearly and concisely verbalize their own methodology.

How would SAS 70 Solutions respond?

SAS 70 Solutions publicly displays its methodology on its website so that it can be reviewed by all interested parties.

How much time will be required from our personnel during each phase of the audit?

Why is this important?

It is important to determine the level of business interruption and soft costs related to the engagement.

How would SAS 70 Solutions respond?

SAS 70 Solutions does not require its clients to commit significant resources to the audit, such as a full-time liaison or members of the internal audit staff. Rather, we simply ask that key personnel be available for periodic meetings regarding their areas of responsibilities on the days that their areas are scheduled to be reviewed.

On average, how many days do your audit teams spend on-site performing fieldwork procedures?

Why is this important?

Generally speaking, service organizations will not want on-site fieldwork procedures to drag on unnecessarily, especially if the audit firm is billing for its services by the hour. Therefore, it is important to understand the estimated time the auditor intends to be on-site during the audit.

How would SAS 70 Solutions respond?

Single location audits generally require one to three weeks of fieldwork, depending on the scope of the audit. The amount of personnel that will be on-site will vary depending on the specifics of the audit.

Will your personnel draft the description of controls?

Why is this important?

This is a critical question. Writing the description of controls is a very time intensive process, especially for service organizations that have little or no experience with SAS 70 audits. Many audit firms require the service organization to write the description of controls. Therefore, it is important to understand expectations regarding this matter.

How would SAS 70 Solutions respond?

SAS 70 Solutions prepares the description of controls for its clients. Please note that this does not constitute the design or implementation of the controls, which are activities that would impair our independence. Rather, we perform procedures to understand and document the existing controls in a format that is acceptable for SAS 70 audit purposes. The service organization reviews the document and ultimately accepts the description of controls as its own. Not only is this procedure acceptable according to professional guidance, we believe it is the most efficient method for constructing a description of controls.

How long after the completion of your fieldwork procedures will you deliver a final report? Do you contractually obligate yourself to the timing that you describe?

Why is this important?

Some service organizations may need their final report delivered within a certain timeframe, and therefore, it is critical to determine expectations during the scoping phase. Receiving the final report is a critical project milestone. The service organization should consider requiring that expectations on this topic are converted into contractual obligations.

How would SAS 70 Solutions respond?

SAS 70 Solutions contractually commits to providing draft reports within ten business days following the conclusion of on-site fieldwork procedures and a final report within five business days of the client's approval of the final draft of the report.

ENGAGEMENT TEAM

What is the minimum number of SAS 70 audits that any team member assigned to our engagement will have previously performed?

Why is this important?

As with all professional services, the quality of the services is based on the experience and expertise of the professionals that provide the services. Therefore, it is critical to determine whether the audit firm intends to provide your organization with experienced SAS 70 auditors, or whether your engagement will be used as a training opportunity for less experienced auditors.

How would SAS 70 Solutions respond?

The median average experience for our audit personnel is 65 previously completed SAS 70 audit projects.

Would it be possible for your firm to provide a team comprised of people that have individually performed at least 20 prior SAS 70 audits?

Why is this important?

The response to this question will provide significant insight into the depth of the audit firm's SAS 70 expertise. Service organizations should be cautious of any response that indicates that the prior SAS 70 audit experience of the individual audit team members is not critical.

How would SAS 70 Solutions respond?

Yes. In fact, the average experience for any of our audit teams would greatly exceed this requirement.

One vendor is offering us an audit team comprised entirely of senior level associates and managers. Is this something that your firm would be able to do for us?

Why is this important?

Many audit firms rely on their most experienced personnel to sell engagements and their least experienced personnel to provide the majority of the services. Requesting a team that excludes staff level personnel will help your organization avoid many of the issues associated with this approach.

How would SAS 70 Solutions respond?

SAS 70 Solutions only hires experienced professionals. Nearly all our personnel were senior auditors, managers, or senior managers at a "Big 4" firm or tier one consulting firm prior to joining SAS 70 Solutions. Our engagement teams are comprised of personnel that, at a minimum, would be considered that of a "senior" auditor at a "Big 4" firm.

How many CPAs will perform on-site fieldwork procedures?

Why is this important?

A SAS 70 audit is an audit that can only be performed by a licensed CPA firm, and therefore, the service organization should expect CPAs to be assigned to the engagement team.

How would SAS 70 Solutions respond?

Every project team is led by a shareholder that is a CPA. In addition, a large portion of SAS 70 Solutions' personnel are licensed CPAs. Therefore, the number of CPAs that perform on-site fieldwork procedures varies from project to project.

How many CISSPs will perform on-site fieldwork procedures?

Why is this important?

The Certified Information Systems Security Professional (CISSP) designation is the most widely recognized international certification of information security expertise. The involvement of CISSPs on your engagement team should increase the quality of your audit and is definitely preferable to having no involvement by persons with a demonstrated level of expertise.

How would SAS 70 Solutions respond?

Most of SAS 70 Solutions personnel are CISSPs. This is rare achievement for a CPA firm. In most cases, multiple CISSPs have a hands-on role in every audit.

Do you intend to outsource or subcontract any portion of our SAS 70 audit to a third party?

Why is this important?

Audit firms lack the in-house expertise to perform SAS 70 audits may outsource portions of the audits to third parties. There are many issues related to this practice which are discussed in the FAQ section of the SAS 70 Solutions website. However, the bottom line is that service organizations should be very cautious when considering any audit firm that advertises a willingness to perform SAS 70 audits but lacks the in-house expertise required to actually perform the audit.

How would SAS 70 Solutions respond?

We do not outsource or subcontract any portion of our SAS 70 audits to third parties. Additionally, we do not serve as a subcontractor to any other audit firms.

CONTRACTUAL MATTERS

What factors does your firm use to estimate pricing for SAS 70 audit engagements?

Why is this important?

The audit firm should provide a direct answer to this question. The response should be logical and concise. Ambiguity about this topic is a red flag.

How would SAS 70 Solutions respond?

SAS 70 Solutions publicly displays the factors used to estimate audit pricing in the FAQ section of its website so that it can be reviewed by all interested parties.

Is your firm willing to perform the audit for a fixed fee? If so, will these fees include all travel, administrative and other out-of-pocket expenses?

Why is this important?

Fixed fees are by far the most ideal billing method from a service organization's perspective. Many firms bill their clients by the hour and are unwilling to commit to fixed fee pricing. Without at least a guaranteed pricing range, it will be impossible for the service organization to compare the audit firm's pricing to other firms being considered. Furthermore, anything less than fixed fee pricing exposes the service organization to higher than anticipated fees.

How would SAS 70 Solutions respond?

SAS 70 Solutions only performs fixed fee engagements. Our fixed fee quotations are inclusive of all travel, administrative and other out-of-pocket expenses.

How do you handle travel, administrative and other out-of-pocket expenses?

Why is this important?

It is important to understand what, if any, such expenses the audit firm intends to bill to the client. Any expectation on this topic should be converted into a contractual obligation. Additionally, the service organization should consider limiting the type of expenses that may be reimbursed and its maximum exposure to such expenses.

How would SAS 70 Solutions respond?

SAS 70 Solutions' anticipated travel, administrative and other out-of-pocket expenses are normally incorporated into our fixed fee pricing. We do not bill separately for these costs.

Can we engage your firm to a multi-year arrangement?

Why is this important?

Multi-year arrangements are beneficial to service organizations because they establish the fees for future audits. This is valuable for budgeting purposes and limits exposure to continuously rising audit costs. Additionally, these arrangements ensure a place on the audit firm's schedule and save the service organization from having to renegotiate the contract on an annual basis.

How would SAS 70 Solutions respond?

SAS 70 Solutions offers multi-year (or multi-audit) arrangements to its clients. Because of the benefits realized from multi-year contracts, approximately 80% of SAS 70 Solutions clients have entered into three to five year arrangements.

How quickly can you provide a draft contract covering the issues we have discussed?

Why is this important?

The vast majority of items discussed above should be documented in the contract with the selected firm. Additionally, requesting a draft contract may provide insight into the level of bureaucracy that might be associated with working with the audit firm.

How would SAS 70 Solutions respond?

SAS 70 Solutions normally provides a draft contract within two business days of receiving the information required to draft the document.

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