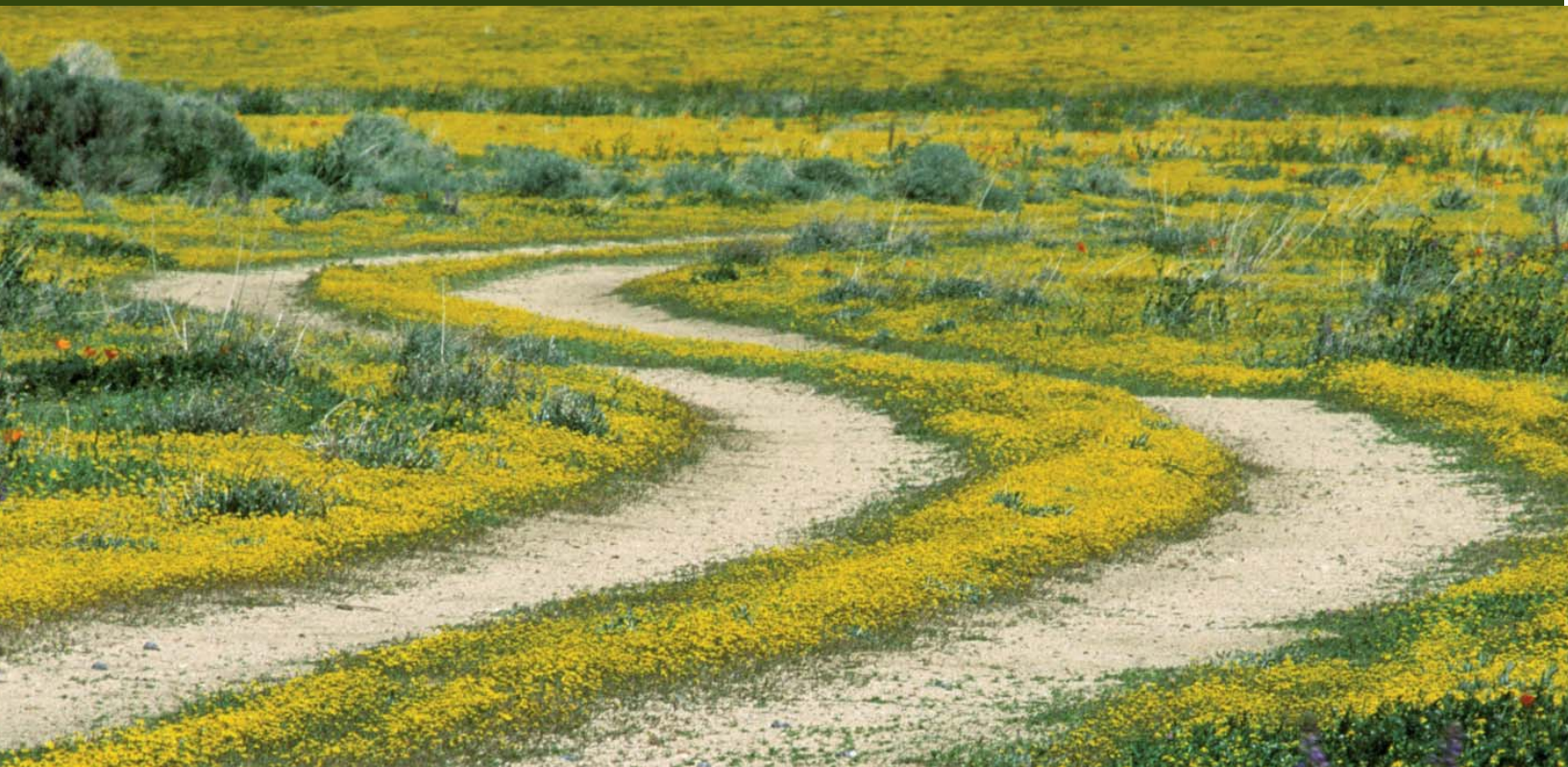


# MFA Perspective

Obtaining a SAS 70 Report

*An Unnecessary Burden or Extraordinary  
Competitive Advantage?*



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## **OUTSOURCING - A GROWING TREND IN BUSINESS**

A trend that continues to grow in popularity is the outsourcing of key business processes to service organizations that have aggregated specialized resources and are able to maximize service delivery through a cost structure and economies of scale that often cannot be achieved via in-house resources.

As outsourcing becomes more prevalent, especially in the current economic environment, the need to outsource to reliable providers becomes paramount, particularly if the service provider is to be used to process financial transactions, host financial data or perform other significant services that can have a direct impact on a company's financial statements.

Herein lies the dilemma... With so many prospective service providers in the marketplace, how does one discern who are the truly reliable providers? This can be a tricky yet critical aspect to successful outsourcing. Remember, just because a company outsources any one of a number of these business processes, it does not alleviate their responsibility for ensuring an effective controls environment and being in compliance with regulatory requirements.

## **THE USE OF SAS 70 REPORTS IS GAINING MOMENTUM**

To assist in identifying service providers with effective controls over business processes, information technology and related processes, companies have taken the bull by the horns and are increasingly requiring that prospective service providers offer documented evidence of their control activities. Many companies are even making it a contractual requirement for doing business.

To meet these requirements, service providers began looking for a uniform way to disclose such information. In the process, they quickly realized that obtaining a SAS 70 report was the way to go. They observed that among their customer base, SAS 70 reports were rapidly becoming the accepted method for communicating information and assurance about the controls that are of interest to user organizations and their auditors as they relate to an audit of the financial statements.

## **THE BENEFITS OF UNDERGOING A SAS 70 AUDIT**

The obvious deliverable from a SAS 70 examination is a report that allows service providers to confidently demonstrate that their infrastructure, applications and processes are appropriately designed and operating effectively. While this in

and of itself holds tremendous value to a service provider from an operational point of view, many are unaware of the other inherent benefits associated with obtaining a SAS 70 report.

Those service providers that willingly subject themselves to the rigors of a SAS 70 examination in order to meet their customers' compliance needs are surprised to discover that the effort also has a substantial impact on their competitiveness and their bottom line.

Having a third party attest to the inherent strengths of the control environment surrounding outsourced services is of great comfort to customers and prospects and serves to put the service provider in a very different league from its competition.

This added level of comfort enhances the value of the outsourced services as well-controlled systems and processes instill confidence and provide customers with assurances that the service provider has taken the appropriate steps to proactively mitigate its customers' exposure to risk. This is especially important for publicly traded companies who outsource business processes to third party service providers. Public companies operate in a complex governance and regulatory environment and, as such, must go to extraordinary lengths to ensure that a service provider's internal controls don't become their undoing.

## **SAS 70 REPORTS ARE REGULARLY BEING USED AS A STRATEGIC MARKETING TOOL**

Many service providers are using their SAS 70 reports as a strategic marketing tool and heavily promoting the fact that they have obtained independent third-party verification about the state of their internal controls governing the integrity, reliability, effectiveness and security of the processing services they provide. Although the actual SAS 70 report can only be given to customers, you'll often find service providers touting the fact that they have a SAS 70 report on their website and in everything from press releases and proposals to marketing brochures and direct mail pieces.

Being able to assure existing and prospective customers that your systems and processes are well controlled contributes to a service provider's overall professional image and increases their ability to sell to new customers. In the eyes of current and prospective customers, it signifies both a legal and business commitment to superior levels of reliability, availability and security.

## THE INHERENT VALUE OF A SAS 70 REPORT

- A SAS 70 REPORT DEMONSTRATES A COMMITTED INVESTMENT IN MITIGATING CUSTOMERS' EXPOSURE TO RISK
- ENHANCED CONTROLS OFTEN EQUATE TO ENHANCED QUALITY AND RELIABILITY FROM A SERVICE PROVIDER
- A SAS 70 REPORT PROVIDES OPERATIONAL CLARITY IN DECISION MAKING AND RESOURCE UTILIZATION PLANNING
- A SAS 70 REPORT PROVIDES A COMPETITIVE ADVANTAGE IN A CROWDED MARKET OF SERVICE PROVIDERS
- A SAS 70 REPORT CONTRIBUTES TO A SERVICE PROVIDER'S OVERALL PROFESSIONAL IMAGE

## SAS 70 ATTESTATIONS - THE GAIN OUTWEIGHS THE PAIN

A SAS 70 attestation is by no means a simple checklist audit. It is a comprehensive, exhaustive examination to confirm that a service provider has the appropriate systems and controls in place to adequately safeguard its customers' documents and sensitive information from the time it takes possession of the information.

Strategic advantages exist for those service providers who undertake a SAS 70 audit. When seeking to engage, win and retain customers, having a SAS 70 report immediately takes concern about vendor reliability off the table. Worries over whether or not your organization has effective controls in place are taken out of the equation and removed as a potential roadblock in the sales process. In fact, it now gives service providers the ability to take these concerns, use them to their competitive advantage and propel the sales process forward. The SAS 70 report is now a strategic tool that can be used to differentiate your organization from the rest — and in today's crowded marketplace, the ability to distinguish oneself from the pack is a key factor for success.

## FOR MORE INFORMATION, PLEASE CONTACT

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