

Getting Started with SOC Reporting | Transcript

Bryan Gayhart & Griffin Dickerson

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Griffin Dickerson:

Hi, welcome to Barnes Dennig Ask the Experts. I'm Griffin Dickerson, and today I'm here with Brian Gayhart. And we are talking about preparing for SOC. So Brian, what is often driving the need for SOC?

Bryan Gayhart:

Yeah, that's a great question. And that's typically the starting point when you're exploring a SOC report for the first time. And we tend to see that it shows up in a number of ways. Most common is contractually. You'll have a customer or a prospect that says, "Hey, we want to do business with you, but we need some assurance around your control environment. You need to have a SOC report." So we see that quite a bit. The other thing we see is, we see companies that may be in Europe or outside the US and want to do business in the US. So they say, "Oh, I need a SOC report, because that will give me credibility in the US." So then they explore doing a SOC report. And then we just find companies that do it as part of their control environment. It shows a sign of maturity in their control environment, kind of a commitment to stakeholders and their customers that they just proactively do one, taking it as a next step in the maturity of their company.

Griffin Dickerson:

Great. That being said, what is in scope?

Bryan Gayhart:

Yeah, that's another part of the process that often can be challenging is figuring out what exactly is in scope. So if you have a contractual requirement, it's typically fairly simple to figure out the scope. It's whatever service you're providing to that company, and then that becomes its scope. But if you think of big companies like, let's pick on Intuit for example, where they offer QuickBooks and they offer time entry and record keeping and 10 other services. They could isolate their SOC environment and just do one SOC report. Maybe it just covers QuickBooks, and they don't cover the other services that they offer. So that's often part of the scoping, is figuring out precisely what's in scope. So a lot of times you can look at a company's website. You look at all the different services they offer, and you start asking them about that. And then you start to learn more about the environment. And that's ultimately how you figure out what's in scope.

Griffin Dickerson:

So from there, how do you determine a type?

Bryan Gayhart:

Yep. So that goes back to the contract as well, or it goes back to what the business is doing. So typically if you're processing transactions and there's some sort of financial statement component, you'll end up with a SOC 1 report. And then if you're storing data or processing data on other people's behalf, but it's more sensitive, so think PII PHI, you'll end up with a SOC 2 report, where your customers are more concerned about the security. That's the baseline, right? And then you can bolt on availability, confidentiality, processing integrity, privacy.

And again, a lot of that comes back to contracts. Some contracts will say, I need a SOC 2, all five criteria. Some will say I need a SOC 2, Type 2, just the security criteria. So some contracts are very precise and it makes it simple, and then others are not. I've seen contracts out there that say, I need a SOC 1, a SOC 2, and a SOC 3. Which is actually quite funny because you can't issue a SOC 2 without a SOC 2. So somebody's written that in there without really knowing what they're asking for. And so you can see a lot of the challenges that come when scoping the report. And what we see a lot now is companies just say, "You need a SOC report," and they leave it that way. And then we're left to help navigate, is it a SOC 1 or a SOC 2? And then what criteria do you care about?

Griffin Dickerson:

How much time do we then need to prepare?

Bryan Gayhart:

Yeah, that's a great question. And what I tend to tell people is 90 days. So let's break that down a little bit, right? We tend to tell people that 90 days from the date an engagement letter's signed, we can get that first Type 1 report out the door. And so the way that works, and why I always recommend people get started sooner rather than later is, that readiness and that Type 1 report, it's an open book test. So let's work together. We can help you map controls to criteria, map controls to control objectives, and then really work and fine tune the control environment. So we can give you the recommendations, policy and procedure templates, examples, and we can provide guidance along the way.

But again, open book tests about 90 days from the date an engagement letter's signed until a report's in hand. And so we work cohesively kind of in unison in helping you get to that point. So there's not a lot that you have to prepare and wait before engaging with the CPA firm or the auditor. It's best to start right away. And then the end result is you're getting a report faster for your customer, your prospect, or whoever the end user is.

Griffin Dickerson:

Awesome. Yeah. That's some great information. Well, thanks Brian for being with us today, and thank you all for watching. If you want some more information, go to longstanding.com.