



# Due diligence checklist

A due diligence checklist for evaluating offshoring vendors provides CPA firms with a structured framework to assess potential partners' capabilities, compliance, and performance metrics. This essential tool ensures that firms can confidently select an offshoring vendor that aligns with their strategic goals and operational standards, minimizing risk and optimizing outsourcing outcomes.

## General information

a. Name of the offshore outsourcing vendor:

---

b. Location of the vendor:

---

c. Years of operation:

---

d. Contact person and information:

---

## Legal and regulatory compliance

The below should be discussed with your CPA firm's attorney.

- Is the outsourcing vendor registered and compliant with the laws and regulations of their country?
- Are there any legal, regulatory issues, or sanctions against the vendor currently or in the past related to a CPA firm?
- Does the vendor have any certifications or accreditations relevant to the outsourcing services provided?

## Financial stability

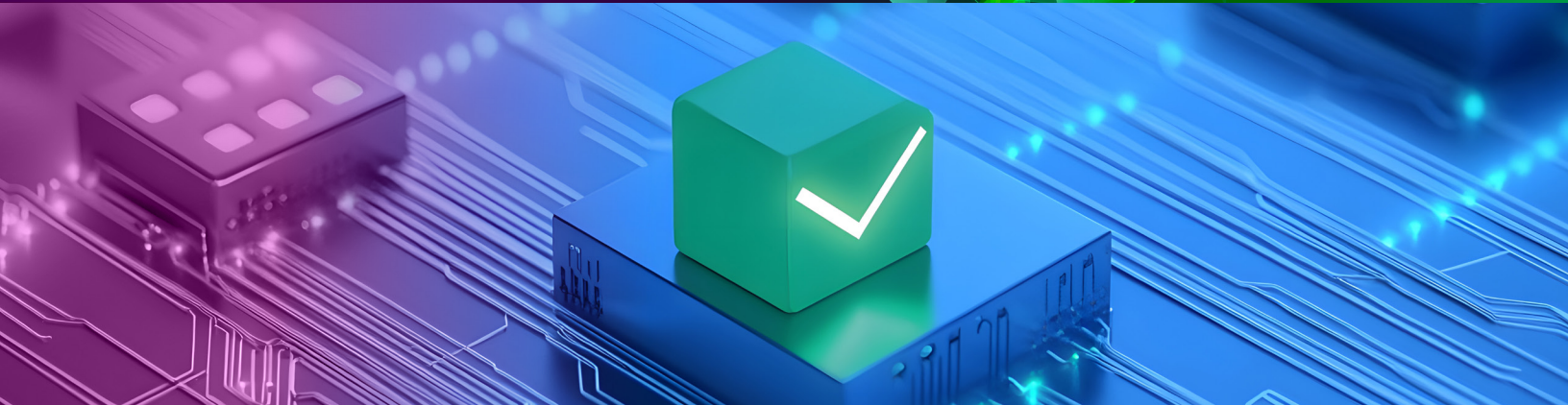
- Request financial statements (such as balance sheet, income statement, cash flow statement) for the past three years to assess the vendor's financial stability.
- Is the outsourcing vendor financially sound, with the ability to meet its obligations?
- Are there any indications of financial distress or irregularities?

## Infrastructure and technology

- Assess the outsourcing vendor's infrastructure and technology capabilities.
- Hardware and software resources.
- Data security measures and encryption protocols.
- Backup and disaster recovery systems.
- Evaluate the vendor's technological compatibility with your systems and software requirements and adherence to data privacy and consumer protection laws.



# Due diligence checklist



## Data security and confidentiality

- Inquire about the outsourcing vendor's data security measures and protocols.
- Does the vendor have proper safeguards in place to protect client data and maintain confidentiality?
- Assess the vendor's compliance with data protection regulations and industry best practices.
- Assess awareness of and compliance with implications of Sec. 7216.

## Quality assurance and processes

- Request information on the outsourcing vendor's quality control processes and procedures.
- Inquire about their methods for ensuring accuracy, completeness, and timeliness of deliverables.
- Are there any industry certifications or quality assurance frameworks implemented by the vendor?

## Workforce and expertise

- Assess the qualifications and expertise of the outsourcing vendor's staff.
- Verify their educational background, professional certifications, and experience.
- Evaluate their expertise in the specific accounting, tax, and audit areas relevant to your firm.
- Inquire about staff turnover rates and retention strategies.
- Inquire about procedures in place for handling cutting off access for terminated employees.

## Client references and case studies

- Request client references from the outsourcing vendor, preferably from firms similar to yours in size.
- Inquire about past projects or case studies that demonstrate the vendor's capabilities and successful engagements.
- Contact provided references to gather feedback on their experience with the outsourcing vendor.

# Due diligence checklist



## Service Level Agreements (SLAs) and contractual terms

- Review the SLAs and contractual terms proposed by the outsourcing vendor.
- Assess the scope of services, deliverables, performance metrics, and escalation procedures.
- Evaluate the provisions for termination, intellectual property rights, and dispute resolution.
- Consult with CPA firm's attorney regarding jurisdiction and other legal issues related to foreign operations.

## Security assessments and audits

- Inquire about any independent security assessments or audits conducted on the outsourcing vendor including SOC II, ISO, cyber essentials, or GDPR.
- Request reports or certifications from third-party auditors regarding their security practices and controls.

## Insurance coverage

The below should be discussed with the firm's insurance carrier.

- Verify whether the outsourcing vendor carries appropriate professional liability, cyber, and any other applicable insurance coverage.
- Request proof of insurance and check the coverage limits and validity.
- Ensure CPA firm's professional liability carrier is aware of this arrangement.