Rules to Receive CPE Credit

By attending today's session, you are eligible to receive 1 CPE Credit per the following guidelines:

In order to receive this credit, the following items MUST be completed:

- ✓ Each person wishing to receive CPE Credit must log into the session individually with their credentials
- ✓ You MUST answer ALL of the polling questions throughout the presentation
- ✓ You MUST be in attendance for the entire live session
- ✓ You MUST complete the follow-up survey regarding the session

venminder

Vendor Due Diligence and Contract Management Best Practices

PRESENTED BY

Nicole O'Brien

Third-Party Risk Officer
Venminder
nicole.obrien@venminder.com

Kelly Vick

President
Venminder
kelly.vick@venminder.com

October 20, 2020

Session Agenda

1

Initial Vendor Due Diligence – Importance, Themes, Examples and Traps to Avoid

2

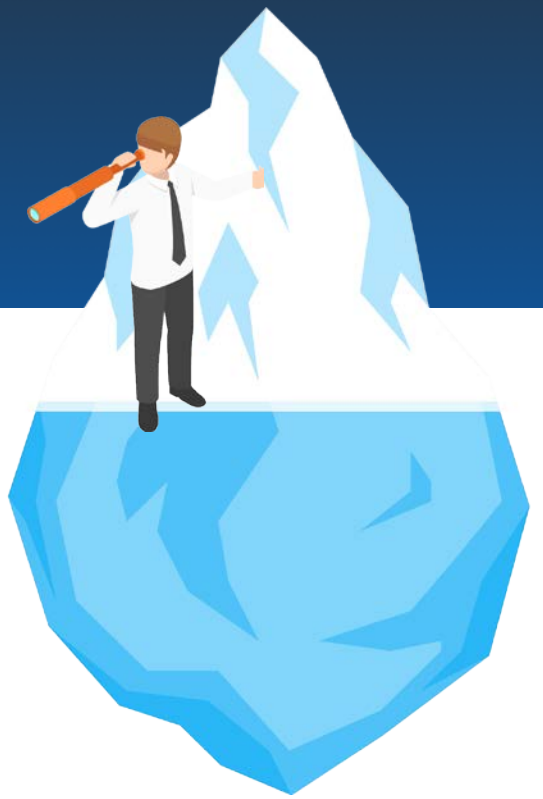
An Understanding of Contract Management

3

Overview of Ongoing Monitoring and Hazards of Falling Asleep at the Wheel

venminder

The Importance of Vendor Due Diligence



- Look before you leap!
- Regulatory requirement
- Sound business practice
- Helps you make informed decisions on what is best for your organization
- Provides insight into the future relationship

venminder

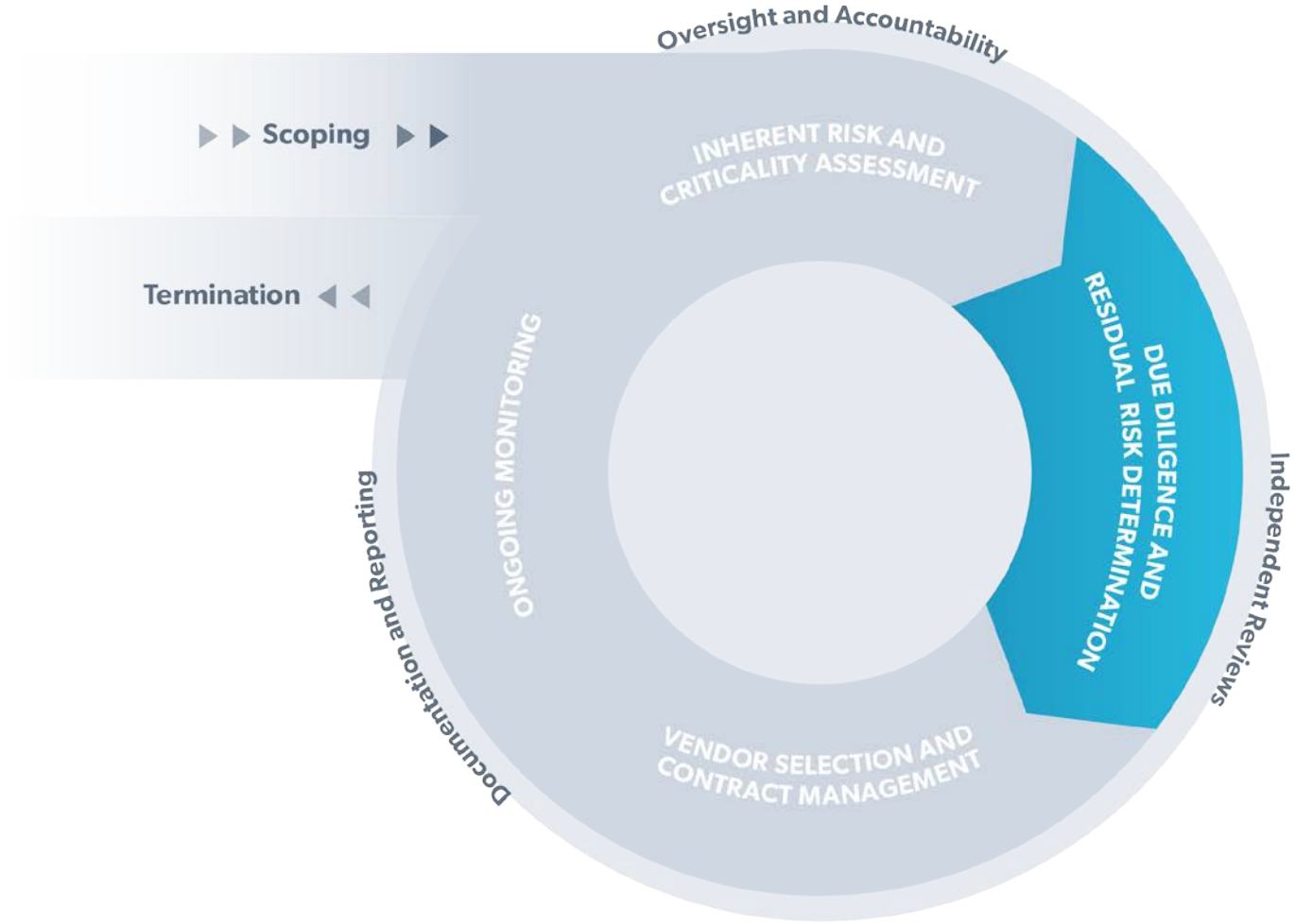
Poll Question

When does your organization do due diligence?

a. Initial due diligence
b. Periodically after boarding a new vendor
c. Both at initial due diligence and periodically afterwards
d. Never
e. Not sure

venminder

Where Initial Due Diligence Fits into the Third-Party Risk Management Lifecycle



venminder

Key Themes in Vendor Due Diligence

- Pre-Contract
- Risk-based and tailored to the product or service
- Document everything
  - Attempts to gather information
  - Results of document reviews
  - How it impacts the overall (residual) risk rating

venminder

Risk-Based Due Diligence Examples

Direct Interaction with Customers	Stores Sensitive Data	Unescorted Access to Facilities	Provides Critical Service
• Reputation assessment • Background investigations and HR policies • Compliance and performance training and monitoring • Third-party risk management	• Information Security Policies • Penetration testing and vulnerability scanning • SOC assessment • Third-party risk management • Insurance	• Background investigations and HR policies • Compliance and performance training and monitoring • Insurance	• Financial assessment • Business continuity & disaster recovery planning and testing • Third-party risk management • Reputation assessment • Insurance

venminder

Traps to Avoid

- “We’ve never been asked that before”
- One-size-fits-all questionnaires
- Dusty due diligence documents
- The never-ending assessment

venminder

Let’s now dive into effective vendor contract management…

venminder

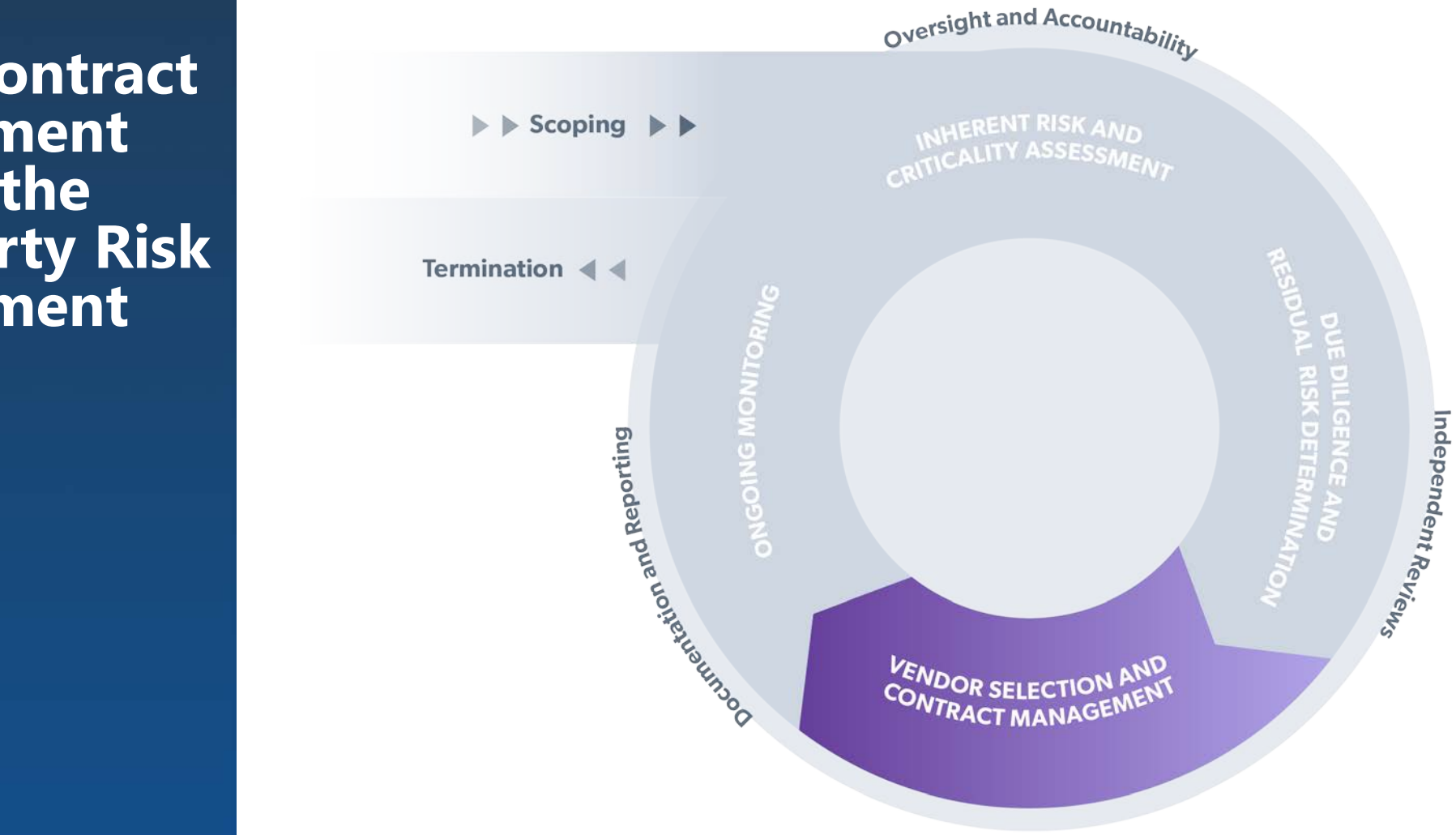
Poll Question

Do you currently vet your vendors before signing a contract?

a. Yes
b. No
c. Not applicable
d. Not sure

venminder

Where Contract Management Fits into the Third-Party Risk Management Lifecycle



venminder

What Is Contract Management?

Vendor contract management is the oversight of written agreements with vendors that provide an organization with products or services. It entails:

- Negotiating contract terms
- Incorporating essential controls
- Having a process in place for review, negotiation, approval and execution of contracts
- Managing and tracking contract inventory
  - Service level agreements (SLAs)
  - Terminations and renewal dates

venminder

Why Is Contract Management Important?

- Save money, time, expense and avoid unnecessary headaches
- Establish expectations to assure your organization is protected from all areas of vendor risk
- Avoid missing significant contract dates

venminder

Who Is Generally Involved

- Legal
- Vendor Management
- Lines of Business
- Information Technology
- Information Security
- Business Continuity Management
- Compliance
- Operations
- Risk
- Finance
- Procurement

venminder

Major Elements That Should Be Included

- Business terms
- Term, notice and automatic renewals
- Identify and mitigate risks
- Confidentiality provisions
- Disposition of data throughout the relationship (post-termination)
- Harmless and indemnification provisions
- Events of default
- Remedies
- Cause for termination
- Termination assistance
- Dates and deadlines
- Warranties and representations
- Dispute resolution

Poll Question

Do your contracts identify what will happen to your data upon termination?

a. Yes
b. No
c. Not sure

venminder

Additional Provisions for Critical or High-Risk Vendor Contracts

- Defined SLAs
- Adequate security and confidentiality provisions
- Subcontractor notification requirements
- Ongoing right to audit
- Business continuity and disaster recovery planning
- Data protection agreement
- Insurance requirements

venminder

Common Contract Mistakes to Avoid

Regulators and auditors are looking for well-developed and organized programs. They'll likely find contract management issues with any of the following:

- No senior management/board approval
- Lack of contract repository
- Lack of proper contract tracking
- Contract execution without documented vendor vetting
- Roles and responsibilities are not clearly identified

venminder

Now that services are up and running, we continue ongoing monitoring.

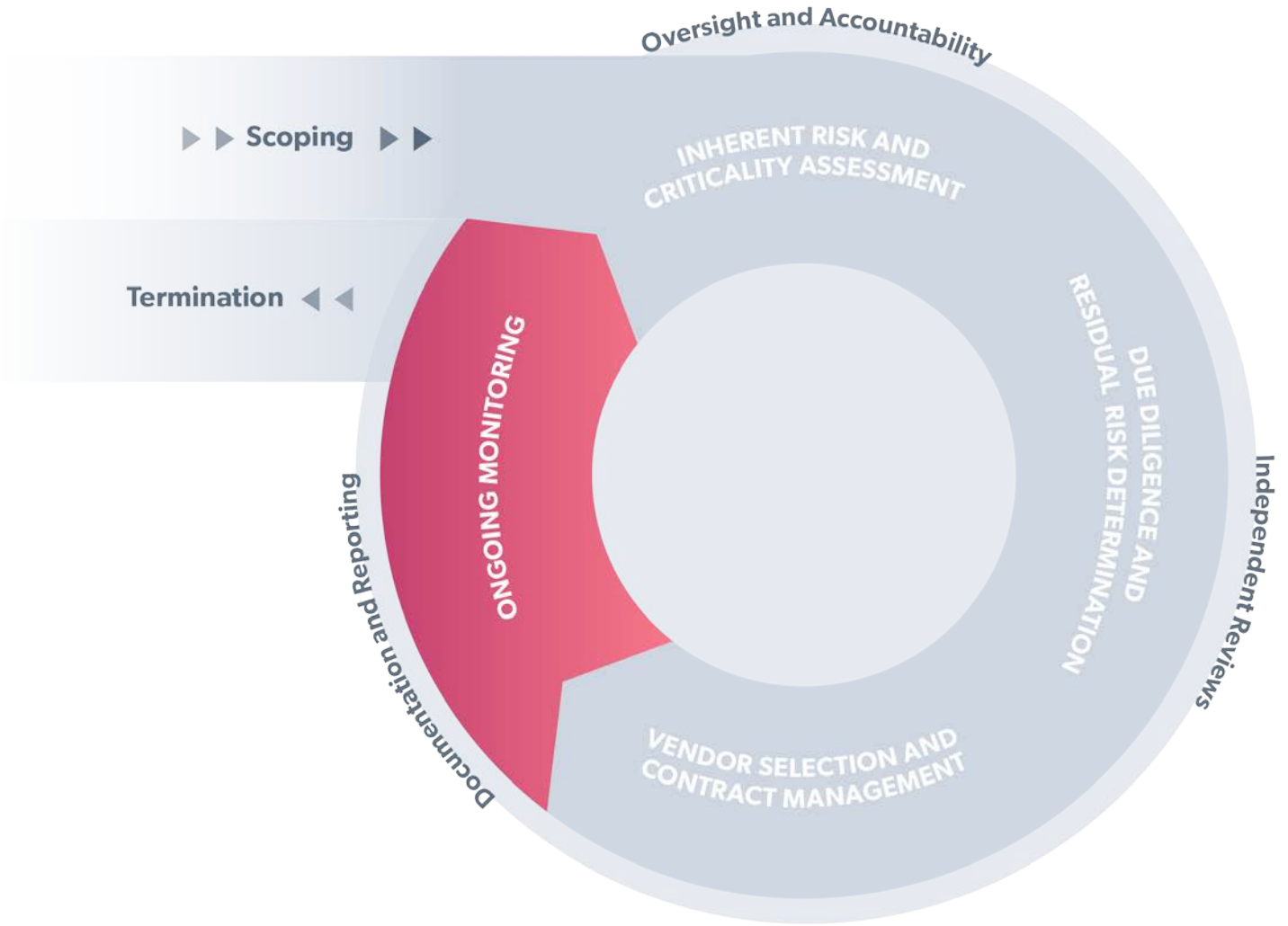
venminder

Contract Management & Due Diligence Do Not End When the Contract Is Signed

- Ongoing oversight is required by most regulatory guidance
- Includes periodic reviews of vendor due diligence, frequent monitoring of contract SLAs and addressing outstanding risks and/or deficiencies

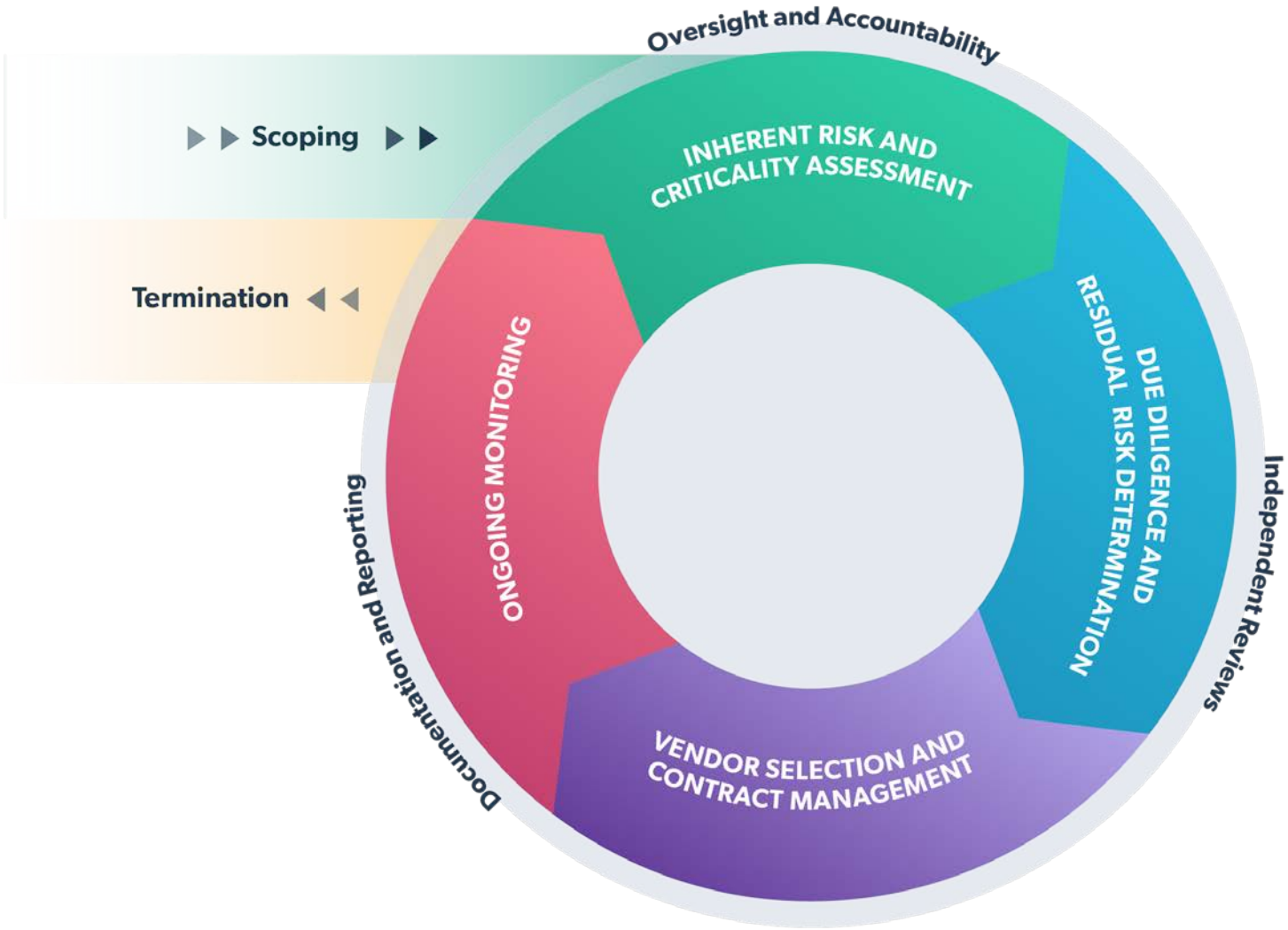
venminder

Where Ongoing Monitoring Fits into the Third-Party Risk Management Lifecycle



venminder

Where Ongoing Monitoring Fits into the Third-Party Risk Management Lifecycle



venminder

Continuing Due Diligence

Verify vendors still meet expectations and identify areas of concern, such as:

- Faulty security controls or customer complaints
- Negative changes regarding the vendor

Set a schedule for ongoing due diligence assessments that is appropriate for the relationship:

- Critical and inherently high risk, Annually
- Moderate risk, 18-24 months
- Low risk, 2-3 years

Ongoing Contract Management

- Managing the vendor relationship is essential for monitoring the service delivery
- Track renewal dates
- Schedule ongoing meetings to address service delivery
- Assure SLAs are monitored on a routine basis
  - Track receipt of deliverables laid out in contract requirements
- Seeing through the transaction
- Discover contract gaps, poor vendor trends and declining service levels
- Make individuals accountable

venminder

Hazards of Falling Asleep at the Wheel

- Third party stops reporting
- Problems are not discovered until it is too late
- Customers complain but no one is listening
- Regulators notice issues before your organization
- Inadequate oversight can lead to enforcement actions

venminder

Best Practices

- Fluid communication between associated teams
- Shared databases and repositories
- Win-win mentality
- Policy is not just for show
- Good note taking and documentation
- Understand your industry’s regulations and best practices
- The lifecycle is a ‘wheel’ for a reason

venminder

Questions & Answers

Post a Question:

www.thirdpartythinktank.com

THIRD PARTY thinktank

Email Us:

nicole.obrien@venminder.com

kelly.vick@venminder.com

Follow Us:

@venminder

venminder

Also Join Us At
Our Upcoming Webinars:

OCTOBER 29, 2020
Virtual Vendor Due Diligence Site Visits

NOVEMBER 10, 2020
Understanding and Analyzing Vendor SOC Reports

Click here to view our Webinars Page.

Thank You