

10 BEST PRACTICES OF REALLY GOOD VENDOR MANAGERS

Vendor management is a complex job.

There is plenty of prescriptive guidance out there, but what do the best vendor managers do to ensure the job is done well?

HERE ARE **10 BEST PRACTICES** OF REALLY GOOD VENDOR MANAGERS:



1 Write complete policy, program and procedures documentation – and get outside help to review it

- ✓ **Start with the policy** and make sure it's a high-level document written at the board level that includes the organization's vendor management framework
- ✓ **Write the program** so that it's instructive to senior management and the lines of business with detailed expectations regarding each pillar of third party risk management (selecting the vendor, risk assessment, due diligence, ongoing monitoring, contract management and reporting)
- ✓ **The procedures should be a comprehensive resource** that anyone at the organization could access and use as a guide to further understand their role, achieve the expected work product as well as help clarify the facets of third party risk
- ✓ **Scatter references to specific guidance** that is applicable to your industry throughout every document (e.g., OCC Bulletin 2013-29, FDIC FIL 44-2008)
- ✓ **Incorporate feedback** from your auditors



2 Carefully define your scope – you can't possibly cover every single provider

- ✓ **Define both who is in scope** and, equally important, **who is not**
- ✓ **Document why the scope is focused on certain third parties** but not others



3 Have an open line of communication with your vendors

- ✓ **Consistently have conversations** and ask your vendors for their input on what others are asking them to do
- ✓ This will allow you to **learn best practices and avoid pitfalls**
- ✓ **Set your organization up to challenge** the notion of "I've never been asked for this before"



4 Stay abreast of changing regulations and commit them to policy

- ✓ **Set up to receive alerts** from each regulatory body when new guidance is issued

 FOR EXAMPLE, SIGN UP FOR FFIEC NOTICES HERE

- ✓ **Study the guidance and continue to do research** to see what others are saying about it until you thoroughly understand it

- ✓ **Subscribe to law firm and CPA firm newsletters** that specialize in compliance issues– they're an excellent source of analysis and commentary

 FOR EXAMPLE, J.D. SUPRA PUBLISHES TERRIFIC CONTENT

- ✓ **Read the words of the industry experts** via blogs or other resources

 READ OUR BLOG

- ✓ **Set up Google News alerts**



5 If it isn't written down, it didn't happen – be prompt and be thorough in your documentation

- ✓ **Never assume** your senior management team, board or auditors know what you're thinking
- ✓ **Document** any time you have a vendor management meeting, vendor reach outs, due diligence analyses and more
- ✓ **Be responsive** to good ideas and to constructive criticism



6 Keep senior management and your board informed and engaged

- ✓ **Provide reports with updates** to them and supplement reports with newsworthy material when needed

- ✓ **Brief them on what they need to know and what is changing** - ownership of risk flows uphill and surprises aren't received well



7 Determine customized ways of doing ongoing monitoring

- ✓ **Tailor the method to match the type of product or service** provided and always think of it from the customer experience point of view – where are the potential pain points or areas of confusion

- ✓ **Service level reporting, transaction testing and mystery shopping** are easy ways to employ sound oversight practices



8 Learn from each examination – internal, external and regulatory

- ✓ **Recommendations and criticisms should be thoroughly discussed** and put into actionable form

- ✓ **Where needed, update your materials** and make absolutely certain what is described is put into actual practice



9 Attend conferences and webinars to learn best demonstrated practices and new ideas

- ✓ **Small investments** go a long way

- ✓ **Find peers** that are willing to share their ideas, challenges and solutions

- ✓ **Education is the key** to maturing your vendor management program



10 Take pride in your work – don't just "check a box"

- ✓ **Doing vendor management the right way** isn't easy, but done well, it's a real competitive advantage

- ✓ **A robust program protects your organization** from unnecessary and potentially embarrassing risk

- ✓ **Opportunities** to compare and contract vendors usually leads to positive and forward change

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