After working in the third party risk industry for many years, we've seen the very best of third party risk management and some of the worst.

We've got 14 vendor management best practices to share to help you keep your program top notch. Here's the list:

TAKE STOCK OF YOUR VENDOR LIST

This is a useful practice to gain a better understanding of your current vendor profile. It's even more important if you are running a decentralized vendor management system. If you have a line of business with contract signing authority outside of the normal vendor management process, the risk oversight responsibility is likely to still rest with you. Review your vendor list on a regular basis and ensure you have a firm process for adding new vendors or terminating them. And, be familiar with who are your critical vendors and high, medium and low risk vendors.





GET OUT OF YOUR COMFORT ZONE

To raise the bar in vendor management, you must engage with all parties within your organization. Failure to do so may result in you working in a silo and not having key information regarding your vendor's performance. Meet regularly with account payable, sales, operations and the executive team.



LEARN THE REGULATORY GUIDANCE

Not just your own regulator, but all of them – they compare notes and follow each other's best practices.



WRITE A THOROUGH SET OF **THIRD PARTY RISK MANAGEMENT DOCUMENTATION**

Including a policy, a program and robust procedures.



COVER ALL OF THE BASES OF THIRD PARTY **RISK MANAGEMENT**

vendor risk assessment, due diligence, ongoing monitoring, contract structuring and keeping your board informed – they are all absolutely essential. And, review those items annually; a lot can happen during a year!



Establish scalable processes for conducting a new





PLAN AHEAD

Give yourself time to complete your tasks so you can better meet your timing goals/requirements. Vendors need time to organize and prepare, too, just like when something is requested of you. Allow time for seasonal activity, workload capacity and availability of key people with whom you need to engage.



ASK FOR HELP WHEN NEEDED

Maybe it's more budget dollars, maybe it's more staffing, maybe it's outside assistance – you'll never get it if you don't



INVOLVE YOUR BOARD AND SENIOR MANAGEMENT TEAM

tone from the top". Regulatory guidance mandates active board involvement. Make sure you have proper reporting in place to help the process.

Have them participate in setting direction, ask them to set "the

DON'T ALLOW DUE **DILIGENCE TO BECOME A "CHECK** Due diligence isn't just

THE BOX" ACTIVITY

collecting documents and filing them away; it requires thorough and



KEEP YOUR **DOCUMENTATION UP-TO-DATE**

guidance or simply making sure that your work matches what's described in the documentation, it's always a good idea to dust it off once in a while. And, make sure those updates are communicated to all the relevant parties, both inside and outside of your institution.

Whether that means

incorporating new



SELF-AUDIT If you don't have your

own internal audit department, then enlist other department, such as Compliance, help or an external audit firm to review your policies and procedures. Ultimately, you want to make sure that your day-to-day practices align to the documentation. After all, the regulator or examiner uses those as their baseline.





KEEP ON LEARNING

Webinars and conferences are a great way to go, so is simply reading the news and analysis.



SOLUTIONS This could also say "don't

FIND CREATIVE

settle for "no" too easily" for example, if you can't get financials, consider what alternatives you might have...perhaps meet with their financial analyst or ask for an accountant's statement.



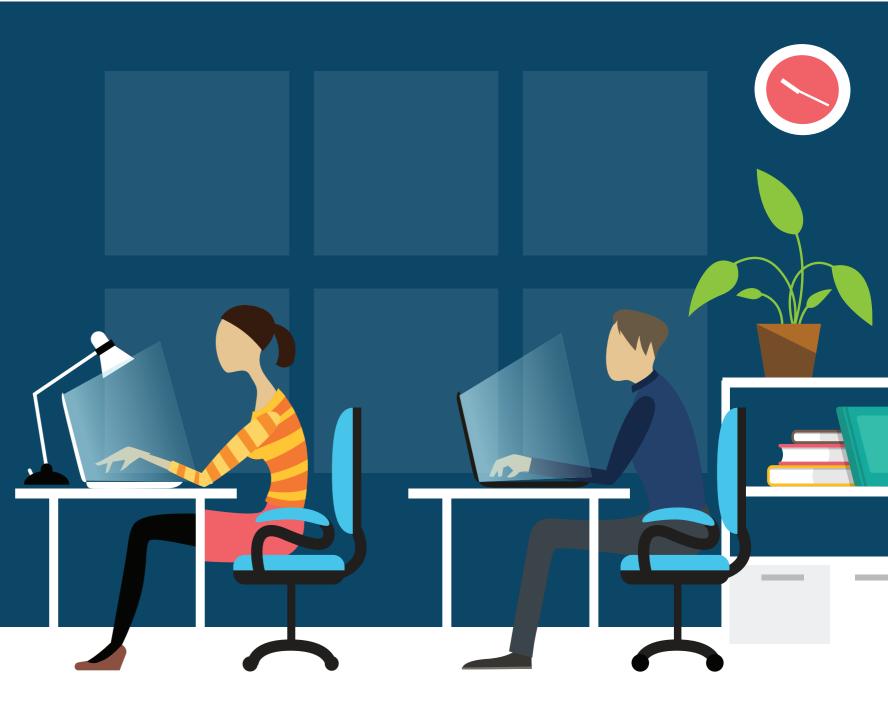
ACTIONS Ask yourself if you see

anything that could be present in your institution that sounds like what's in this enforcement action.



If you do those 14 items well, you'll have a model third party risk management program to show off to auditors and, more importantly, be doing the right actions to protect your institution, consumers and shareholders.

Ultimately, while you can outsource nearly every product or function, you cannot outsource the responsibility for compliance.



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