25 COMMON

# Vendor Risk Management Errors

## TO AVOID IN 2019

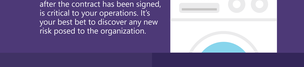
All too often we see the same errors arising in vendor risk management. For this reason, we've compiled **a list of 25 vendor risk management errors** you should avoid in 2019.

**1 TOO LITTLE DOCUMENTATION.**
The examiners will expect a robust policy and program. Make sure the policy and program documentation are reviewed and approved at least annually by the board as well as when guidance changes.

**2 NOT ENOUGH DETAIL IN YOUR PROGRAM.**
Make sure the key points in the guidance are addressed and you cite specifically what consumer protection laws and regulations are considered.

**3 INSUFFICIENT SCOPE OF COVERAGE OF THIRD PARTY VENDORS.**
Are you missing a whole tranche of third parties? Request an active vendor list from Accounts Payable and make sure all vendors are accounted for.

**4 DECENTRALIZED VENDOR RISK MANAGEMENT FRAMEWORK.**
This opens the door for error and inconsistency. We recommend a centralized framework – or a hybrid approach if you're a larger organization.



**5 A FAULTY COMPONENT IN ONE OF THE VENDOR RISK MANAGEMENT PILLARS.**
Each pillar is important and should get equal, periodic attention. Test the coverage to verify it's adequate.

**6 INADEQUATE RISK ASSESSMENT OR DUE DILIGENCE PRACTICES.**
Is your vendor risk assessment comprehensive enough? Are you thoroughly analyzing due diligence reports? Do not cut corners.

**7 TRUSTING THE BRAND NAME AND SKIPPING KEY DUE DILIGENCE BASED ON TOO MUCH TRUST.**
Just because they are a well-known company does not mean they are safe. You still need to do proper due diligence.

**8 NO CONTRACT NEGOTIATION.**
Negotiation should be done when implementing a new vendor relationship or renewing an existing one.

**9 FAILURE TO MONITOR ONGOING PERFORMANCE.**
Reviewing vendors periodically, after the contract has been signed, is critical to your operations. It's your best bet to discover any new risk posed to the organization.

**10 A WORK PRODUCT THAT DOESN'T MATCH THE POLICY.**
Test the work product and make sure it matches what is detailed in the policy way before an examination occurs.

**11 INCONSISTENT WORK PRODUCT.**
Ensure team members come up with consistent work products. Consistency in form and practice is half the battle.

**12 MISSING IMPORTANT DATES.**
Have you missed any key dates lately such as an expired risk assessment or a contract renewal?

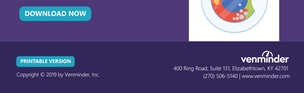
**13 NOT ENGAGING THE FIRST LINE OF DEFENSE.**
The first line of defense is interacting with customers and vendors at the transaction level on a daily basis. Establish collaboration with them and learn their vendor pain points – after all, they're experiencing the vendor's performance first hand.

**14 POOR COMMUNICATION WITH YOUR VENDORS.**
Good communication will help ensure they are forthcoming should any issues arise.

**15 FAILURE TO KEEP SENIOR MANAGEMENT AND THE BOARD INFORMED.**
When's the last time you presented to the board or risk committee? Keep them in the loop, especially pertaining to activities around your critical and high risk vendors.

**16 HAPHAZARD OR INCONSISTENT REPORTING.**
Develop robust, standard reports that are presentable.

**17 FAILURE TO RESOLVE OUTSTANDING AUDIT CRITICISMS.**
It's easy to move on and try to forget about the last exam but you need to follow through. This mistake can be costly.



**18 INADEQUATE SUPPORT FROM THE AREAS OUTSIDE OF YOUR OWN.**
Do your lines of business follow the rules you've set around vendor management? Make sure there is good communication across departments.

**19 TOO FEW RESOURCES COMMITTED TO YOUR VENDOR MANAGEMENT PROGRAM.**
Do you have sufficient staff and enough subject matter experts with appropriate credentials? This is where budget comes into play.

**20 LACK OF ADEQUATE BUDGET.**
Vendor risk management is important to the success of your organization, so budget should be considered. It should be relevant to size to do the job.



**21 NOT AUTOMATING THE PROGRAM.**
With the increase in regulatory expectations, spreadsheets are no longer an efficient or reliable method to manage vendors.

**22 LITTLE REVIEW OF PUBLIC NEWS.**
Public news sources can provide great insight regarding your vendor's stability. Set up news alerts on each vendor. You'll be more likely to receive a timely notification about *risky behavior (e.g., consumer complaints, a data breach).*

**23 IMPLEMENTING PRACTICES RELEVANT TO ONLY YOUR PRUDENTIAL REGULATOR'S GUIDANCE.**
Regulators watch one another and compare notes through the FFIEC. If it seems like a logical risk management practice to implement at your organization then it may be wise to proceed with doing so. Stay atop of best practices, even those that go beyond the regulatory guidance.

**24 LETTING DUE DILIGENCE ON THE VENDOR GO STALE.**
Failing to update your documentation gives an inaccurate perception of the risk your vendor is presenting.

**25 CUTTING CORNERS TO SAVE TIME.**
Overall, cutting any corners will only hurt you later.





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