Do You Have

DIRTY VENDORS?

It May Be Time to Spring Clean

Spring is here and, if you're like most of us, you're probably thinking about the million and one things you need to do to declutter and organize your house, your car, your office and more – a little spring cleaning if you will.

That got us thinking. What about spring cleaning your vendors? Is there a way to know if you have "dirty" vendors who could use some dusting off? We think so.

CHECK OUT THESE 4 SIGNS OF A "DIRTY" VENDOR:

1 *Watch out for*

UNDERPERFORMANCE:
IS THE VENDOR UNDERPERFORMING?

Make it a priority to know when a vendor is underachieving or overpromising and underdelivering. Here are some ways you can determine this:

Review service level agreements (SLAs).
Review the service level expectations outlined in the SLA to determine if the vendor has been meeting those or not.

Communicate with the first line of defense.
The first line of defense is your eyes and ears. They're the ones speaking with the vendors on a daily basis; therefore, if there's an issue that should be shared, they will likely be the first to know.

Search for customer complaints.
Periodically perform searches looking for any new customer complaints against the vendor. If the vendor is underperforming, there's a chance that their customers will submit complaints regarding the issues they're experiencing. Sources that are often used to do this include public Google News searches, the Better Business Bureau (BBB) and the Consumer Financial Protection Bureau (CFPB) complaint database.

Review financial statements.
Assess the vendor's financials to determine if there is any underlying risk that may be posed to your organization. A decline in revenue or income, pending litigation or any other risk factors found in a financial statement, could all be forewarning of a dip in service levels and overall performance.

2 *Be aware of*

INCONSISTENT PROCESSES:
DOES THE VENDOR NEED TO IMPROVE UPON THEM?

There are ways you can check if the vendor's processes in place are insufficient. Ask yourself questions like the following:

- **Is the vendor meeting performance targets?**
- **Is the vendor providing appropriate documentation as requested?**

If the vendor isn't meeting expectations or providing appropriate due diligence documentation, such as SOC reports or business continuity/disaster recovery plans, then reach out and ask them how they plan to address any concerns or when they plan to implement these due diligence best practices into their program.

3 *Check for*

CONCERNING POLICY AND PROGRAM DOCUMENTATION:
DOES THE VENDOR NEED TO REVAMP THE DOCUMENTS?

Just like your organization, a vendor should be revisiting their policy and program documentation. If you notice any of the following regarding the vendor's policy and program, then there is likely cause for concern.

Lack of regulatory guidance cited.
If you're reviewing the documentation and you don't see any regulatory guidance cited, or incorrect outdated guidance is cited, then this should be addressed by the vendor right away.

The date of review is longer than one year.
The documentation should be reviewed at least annually – or more if needed. If it hasn't been, then the vendor needs to update their policy and program.

The pillars of vendor management are missing.
The 6 fundamental pillars of vendor management should be referenced, and it should be clear how the vendor plans to incorporate each into their vendor management program. The pillars include selecting a vendor, risk assessment, due diligence, contractual standards, reporting and ongoing monitoring.

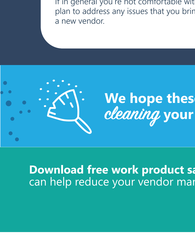
No procedures around subservice providers/fourth parties.
Ensure they're managing their subservice providers appropriately and commensurate with your standards.

4 *Don't miss warning signs of*

OTHER RISKY BEHAVIOR:
DOES THE VENDOR SEEM TO BE SLACKING OR POSE ADDITIONAL RISK TO YOUR ORGANIZATION?

Are you noticing poor trends overall? The following can usually be traced back to a bigger issue that the vendor is trying to conceal or work through:

1. **Disappearing or rapidly changing executive management**
2. **Change in responsiveness to your questions**
3. **Routine items continue to remain unaddressed**



"Shining" a Vendor.

WHAT ARE YOU ABLE TO DO ONCE YOU IDENTIFY A **"DIRTY"** VENDOR?

HERE ARE OUR NEXT STEP RECOMMENDATIONS TO HELP "POLISH" YOUR VENDOR.

1. Let's talk!

The first course of action encouraged is to always reach out and discuss any concerns or issues directly with your vendor contact. Share your findings and ask that they let you know how they plan to address them and by when. You'll be surprised how far being upfront and communicating well with your vendor can get you.

2. Write it down.

In some cases, you may be able to write up an addendum to the contract to cover new requests. If you and the vendor come to an agreement on new terms, then go ahead and try to get it in writing.

3. Search for a new vendor.

If you're working tirelessly with the vendor to come to a resolution but have no such luck, then you should begin searching for a new vendor who better aligns with your organization's operational strategy and goals.

4. Try something new.

If in general you're not comfortable with the vendor's final response, or their plan to address any issues that you bring up, then again, it may be time to seek a new vendor.

We hope these tips will make *spring cleaning* your vendors a *breeze.*

Download free work product samples and see how Venminder can help reduce your vendor management workload.

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