ARE YOU READY FOR THE **COVID-19 VENDOR RISK MANAGEMENT TSUNAMI?**

Today, organizations outsource almost 70% to external companies. While outsourcing has its many benefits, it also opens up your organization (and your customer data) to risks - these risks can be managed and mitigated through effective vendor risk management.

Running a vendor risk management program in a non-pandemic environment already requires quite a large amount of resources to assess, manage and mitigate the risk. Now, with the COVID-19 pandemic impacting and reshaping many vendors' businesses, the workload is increasing and many organizations will need to make efficiency improvements as vendors will require more due diligence, reviews and monitoring than ever before.
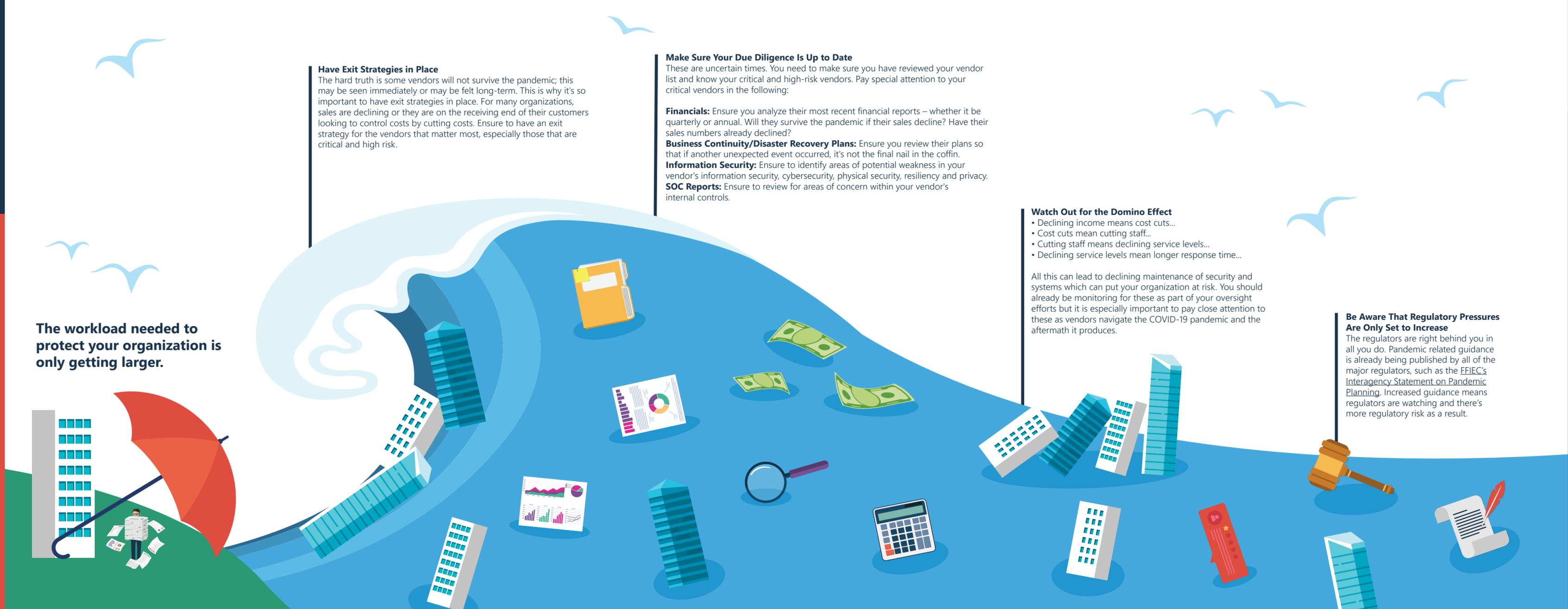
The workload needed to protect your organization is only getting larger.

Have Exit Strategies in Place
The hard truth is some vendors will not survive the pandemic; this may be seen immediately or may be felt long-term. This is why it's so important to have exit strategies in place. For many organizations, sales are declining or they are on the receiving end of their customers looking to control costs by cutting costs. Ensure to have an exit strategy for the vendors that matter most, especially those that are critical and high risk.

Make Sure Your Due Diligence Is Up to Date
These are uncertain times. You need to make sure you have reviewed your vendor list and know your critical and high-risk vendors. Pay special attention to your critical vendors in the following:

Financials: Ensure you analyze their most recent financial reports – whether it be quarterly or annual. Will they survive the pandemic if their sales decline? Have their sales numbers already declined?
Business Continuity/Disaster Recovery Plans: Ensure you review their plans so that if another unexpected event occurred, it's not the final nail in the coffin.
Information Security: Ensure to identify areas of potential weakness in your vendor's information security, cybersecurity, physical security, resiliency and privacy.
SOC Reports: Ensure to review for areas of concern within your vendor's internal controls.

Watch Out for the Domino Effect
• Declining income means cost cuts...
• Cost cuts mean cutting staff...
• Cutting staff means declining service levels...
• Declining service levels mean longer response time...

All this can lead to declining maintenance of security and systems which can put your organization at risk. You should already be monitoring for these as part of your oversight efforts but it is especially important to pay close attention to these as vendors navigate the COVID-19 pandemic and the aftermath it produces.

Be Aware That Regulatory Pressures Are Only Set to Increase
The regulators are right behind you in all you do. Pandemic related guidance is already being published by all of the major regulators, such as the FFIEC's Interagency Statement on Pandemic Planning. Increased guidance means regulators are watching and there's more regulatory risk as a result.

HOW TO MANAGE **THE TSUNAMI WORKLOAD**

You have the following 3 choices:

1 Staff up your third-party risk management resources by hiring new employees or pulling in current employees (or resources) to help manage it all internally.

2 Find a partner with the right subject matter expertise that can do the heavy lifting for you.

3 Do both. Leverage the expertise you have in-house and use a partner to fill in the gaps.

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