

One of the Best Due Diligence Items

MANY VENDOR MANAGERS AREN'T EVEN AWARE OF

Did you know that you should request a **copy of your vendor's own reports of examination**, particularly if they are a regulated entity?

What does that even mean?

Well, in many cases, it may be as simple as asking them for a copy of their own audit reports – some will gladly provide, others will guard it like keys to the castle.

An audit report can save you lots of time – it can help you see their weaknesses and understand what they need to do about them – it can help you focus on what controls you need to be looking for and perhaps even items you may want to contractually commit them to provide.

What if they won't willingly supply them to you?

If they won't willingly supply them to you, perhaps you can

- 1 Contractually obligate them to do so
- 2 As a last resort, have them report to you any material issues disclosed in such a report

WHAT YOU SHOULD DO

Yes

Ideally, there would be some central database that all financial institutions could share these assessments – and hopefully, one day we will get there. But for now, you may need to rely on their public disclosures, from as informative and perhaps innocuous as a client portal, where they share all the information to something as concerning as a joint regulatory report (see FIS as the easiest example) where their issues are laid bare for all to see.

Let's say you can't get either of those – if you are a financial institution and they are a regulated entity or have had an examination done by one of the regulatory agencies, **the regional office of your prudential regulator will likely have a copy of the report of examination on file**. You simply need to write and request it. (NOTE: Be sure to allow some time for processing and be ready for the question in your next exam as to why you were asking, particularly if you are only asking for one of many similarly situated third parties.)

A report of examination of any type can save you lots of time in due diligence – it's often overlooked but can be a tremendous leap forward in your due diligence process.



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