STRATEGIES TO **IMPROVE** YOUR

VENDOR DUE DILIGENCE PROCESS

Every organization needs a vendor management program. And every vendor management program needs a methodology for filtering potential vendors and for refreshing the information on file for existing vendors.

THAT'S WHY WE'VE PROVIDED **4 STRATEGIES** TO IMPROVE YOUR DUE DILIGENCE PROCESS

It's best to either hire experts internally or outsource your due diligence reviews to third party SMEs.

For example:

- A Certified Information Security Services Professional (CISSP) or qualified IT professional should be reviewing SOC reports, business continuity plans, disaster recovery plans and cybersecurity plans.
- A Certified Public Accountant (CPA) or a qualified financial professional should be reviewing financial statements.
- A paralegal or a qualified legal professional should be reviewing contracts.

By utilizing SMEs, you're less likely to experience an exam or audit finding and, in turn, spend less time backtracking to address missed issues. In some industries, SMEs aren't just a recommendation but are also required for some portions of the due diligence.

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1 **Establish a list of due diligence requirements** and reference it when initiating contact with potential vendors or when reviewing an existing vendor.

2 **Ensure subject matter experts (SMEs) are analyzing and documenting** your due diligence findings.

3 **Due diligence should be tailored** to each vendor's risk level.

4 **Standardize your due diligence process** by performing the same process for certain vendor types.

A vendor due diligence checklist helps ensure all your bases are covered and your process is consistent and repeatable.

Here's a sample of a good start:

- Confidentiality Agreement, MNDA or Privacy Statement
- Secretary of State Check
- Articles of Incorporation or Business License
- State of Incorporation
- Credit report
- Financial Statement
- Certificate of Good Standing
- Tax ID #
- A list of any significant complaints or litigation against the vendor
- Liability insurance coverage, statement of insurance, worker's compensations insurance and any other applicable insurance documents
- List of anyone who has access to your organization's data or information
- Copies of subcontractor contracts/non-disclosure agreements
- OFAC Check
- Negative news search
- Dunn & Bradstreet or Standard & Poor's report
- SSAE 18, SOC 1, SOC 2 and SOC 3 audits or any other information technology related audit (if required)
- Business resumption and contingency plans (if required)

If a vendor is critical or high risk, you'll likely perform much more extensive due diligence.

Here's an example:

- Your core system's vendor might be a vendor you feel you can let slide when it comes to your annual due diligence process since they're a "big name" vendor. If anything happens to your core vendor, your organization is going to go through a long and unpleasant experience; therefore, don't slack on a core vendor's due diligence. Actually, since your core vendor is critical to the organization, you need to increase the due diligence and oversight performed.
- In comparison, on the other hand, if your lawn service provider went out of business, replacing them would be a one - maybe two - phone call deal. It's safe to say not as much due diligence will need to be analyzed on them due to their criticality and risk level.

Do the due! Remember, due diligence can't be a check-the-box activity.

It's not one-size-fits-all by any means! However, standardizing your due diligence process for vendors in the same risk categories or in the same criticality level will help reduce your workload. For example, define specific processes based on vendor type, such as processing services, technology, marketing, etc., and then perform due diligence and answer the questionnaires that are tailored to the vendor's type.

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Manage Vendors. Mitigate Risk. **Reduce Workload.**

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