



Managing Your Vendor Relationship

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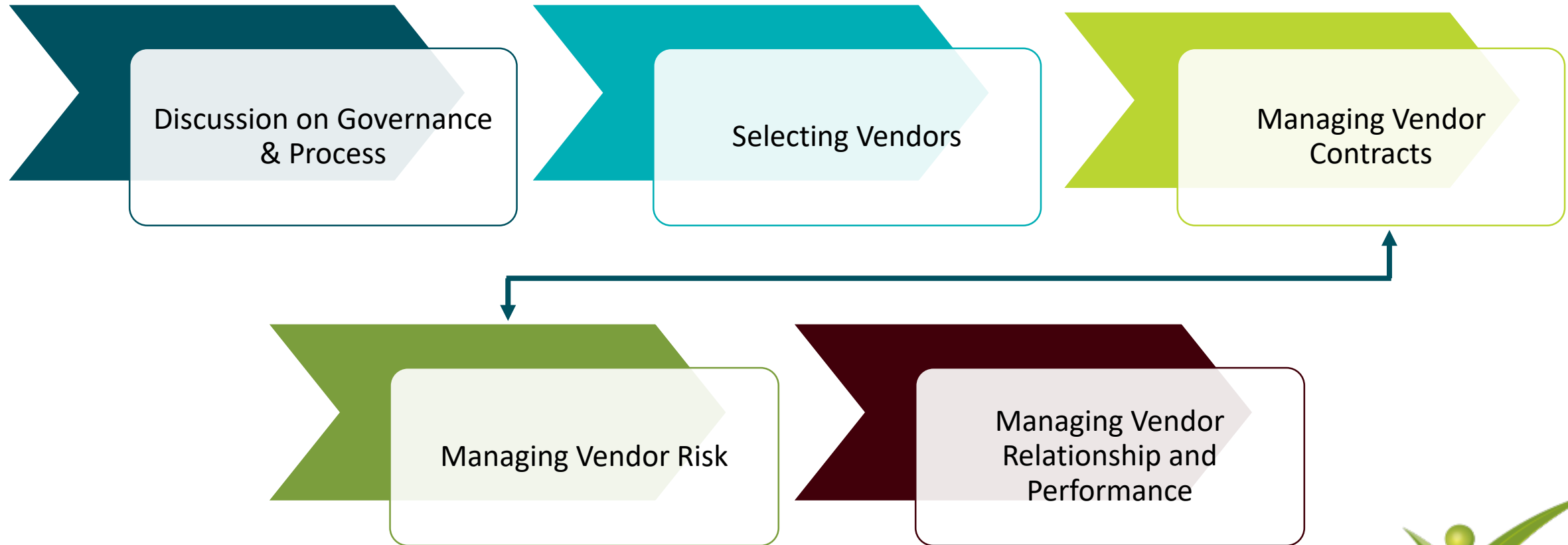
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“Managing Your Vendor Relationships” discussed in this presentation is the current version with effective date of May 16, 2019.

The comments today are my own and not necessarily those of Vizo Financial or the Vizo Financial membership.

Topics covered today...



Discussion On Governance & Process

- Governance
- Risk
- Compliance

Vendor Management History

1930's

1933 Glass Stegall Act
1934 Federal Credit
Union Act

1970

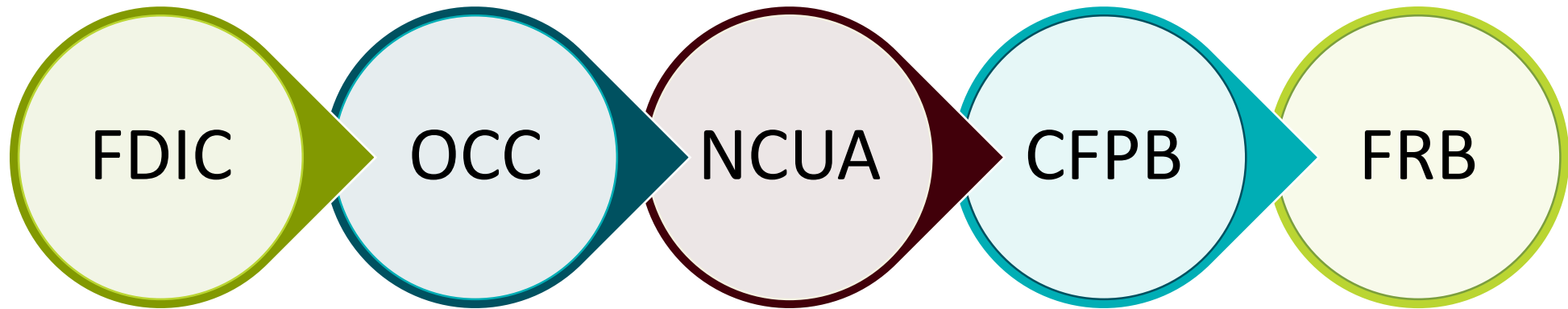
NCUA became an
independent federal
agency.

1999

- GLBA was signed
- GLBA Title V
 - GLBA 501 (a)
 - GLBA 501 (b)

Vendor Management Regulations

- FFIEC – Established in 1979
- Uniform Principles, standards and reporting



Discussion On Governance & Process

- **NCUA 12 CFR Part 748 Appendix A**
 - **Protect the integrity and privacy of member data**
 - **Requirements**
 - **Involve the Board of Directors to approve and oversee your program**
 - **Identify and assess risks to member information**
 - **Manage and control risk to member information**
 - **Oversee service provider arrangements**
 - **Adjust the program to reflect changing conditions.**
 - **Report to the board annually at a minimum.**



Vendor Management Risk

- Penalties could be imposed if you do not adhere to the regulations and laws around Vendor Management.
 - Fines
 - Penalties
 - Violations
 - Camel Rating
 - DOR



Vendor Management Compliance

- **Benefits to being compliant and having structure**
 - Risk Mitigation
 - Budget Control
 - Eliminate Redundant Services
 - Contractual Protection
 - Improved Contract Management
 - Competitive Advantage
 - Strengthened Reputation



Selecting Vendors:

- **Difference Between**

- **Vendor**

- Sell items and not help you with them
 - Not Deliver what they sold
 - Sell services that don't fit your company

- **Vendor Partnership**

- Treat like a friend
 - Count on them
 - Helps your business succeed



Selecting Vendors:

- **Help You to Succeed**
 - **Vendor Talk**
 - **Comfortable**
 - **Questions**
 - **Vendor Community**



Selecting A Vendor

Successful Partnership Steps

Step 1- Define Objectives and any goals for this vendor

Step 2- Information Gathering

Step 3- RFP

Step 4- Response Evaluation

Step 5- Proof of Concept evaluation

Step 6- Conclusion



Selecting Vendors: Vendor Criteria

- **Does the vendor have access to GLBA information?**
 - Person Name, address, phone number, account number, social security number, etc....
- **Risk Exposure**
 - **Due Diligence Collection**
 - Audited financials, SOC/SSAE18, BCP Review, Security/Compliance Review, Contract, Site Access, Review, Insurance Review
- **Vendor Access**
 - Physical Access
 - Electronic Access



Managing Vendor Contracts

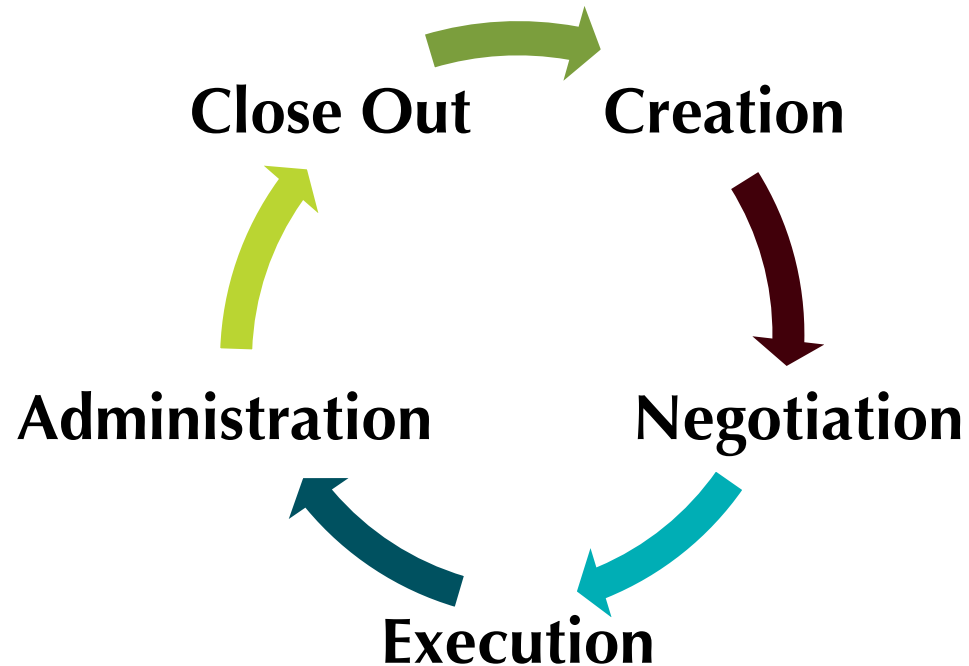
- What is a vendor contract?
- Why is it important to have a contract?



Managing Vendor Contracts

- What is the Vendor Contract Lifecycle

- Creation
- Negotiation
- Execution
- Administration
- Close out



Managing Vendor Risk

- Who
- What
- How



Managing Vendor Risk

- **Why do we manage vendor risk?**
 - Vendor risk is managed to protect your organization from any negative effects that have been caused by vendor events. We must measure, manage relationships, and question the vendors we rely on to deliver value and success to our organization.
- **Vendor Reliance**
 - Deliver critical services
 - Expenses with vendor
 - Foreign vendors
- **Regulations**
 - Regulators
 - Members



Managing Vendor Risk

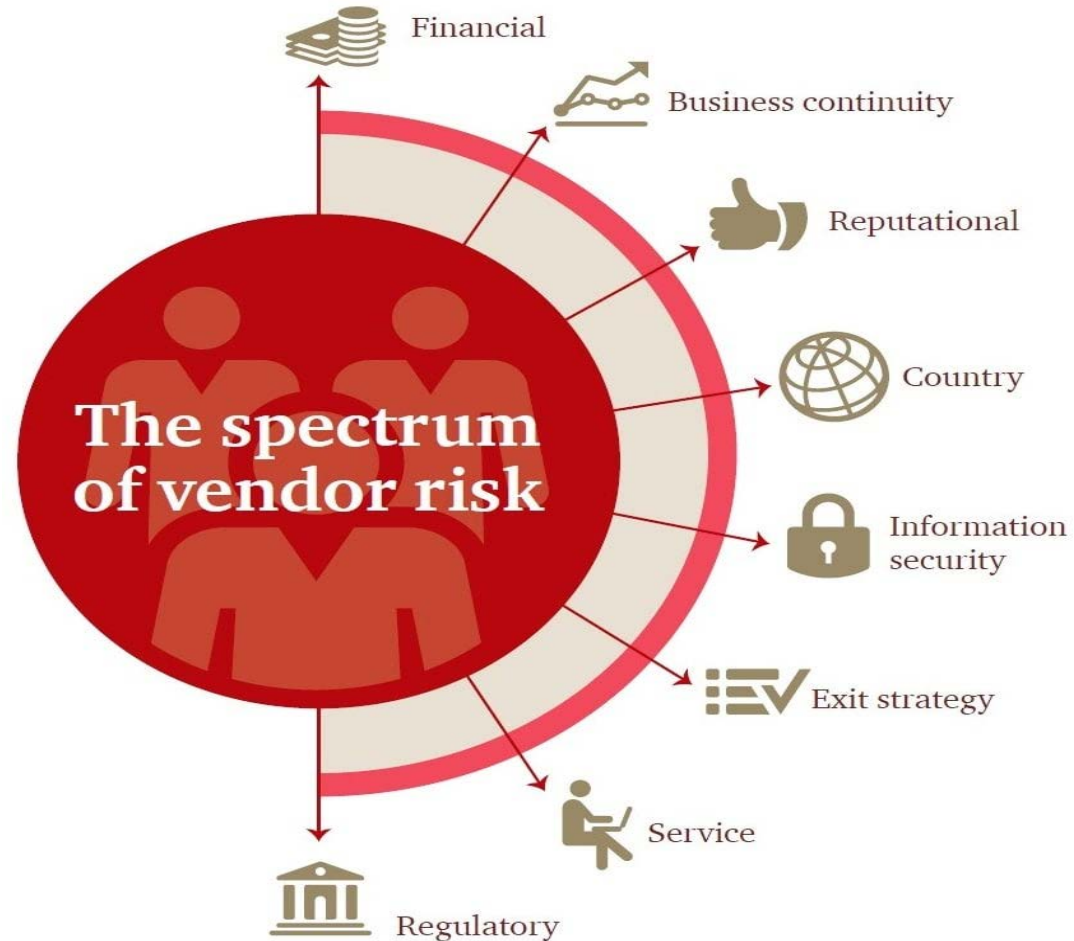
- Types of Risk
 - Inherent
 - Residual



Managing Vendor Risk

- Risks to Vendor

- Financial
- Reputation
- Credit
- Quality
- Strategic
- Geopolitical



Managing Vendor Risk

- **Risk to Product/Service**

- Contractual
- Compliance or legal
- Service Delivery
- Business Continuity
- Cyber
- Intellectual Property



Manage Vendor Relationship & Performance

- **Manage Relationship**

- **Oversight**

- Board Approval
 - Management Review
 - Compliance Review
 - Qualified Staff
 - Quality of Service
 - Risk Management Practices
 - Financial Conditions
 - Controls
 - Reporting



Manage Vendor Relationship & Performance

- **Manage Performance**
 - Effectiveness
 - Licenses and Registrations
 - Financial Conditions
 - Insurance
 - Obligations
 - Audit Reviews
 - Policies
 - Regulations



What are Regulatory Expectations

- Expand Vendor Scope
- Governance and Accountability
- End to End Risk Management
- Due Diligence
- Contracts
- Monitoring
- Compliance
- Independent Reviews
- Business Continuity



Overview



Governance & Process



Selecting a vendor



Managing Vendor Contracts



Managing Vendor Risk



Managing Vendor Relationship and Performance



Wrap-up and Questions



Thank You!

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