

Vendor Management at the Account Level

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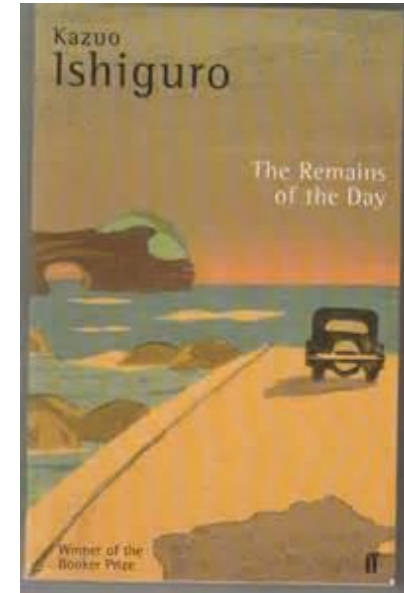
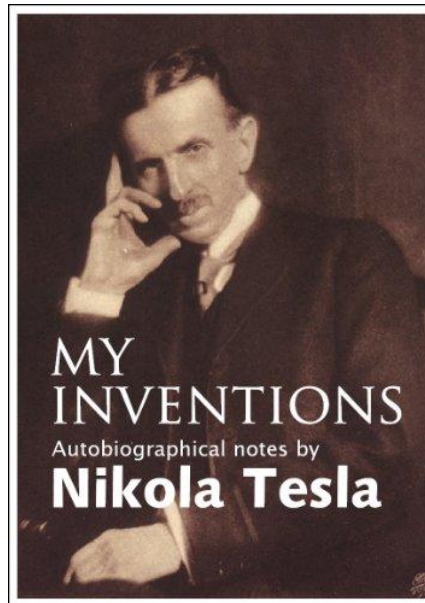
- Real Estate Appraiser
- Acquisition Due Diligence
- Commercial Lending Special Assets Management under FDIC Loss Share Agreements
- Other Real Estate Owned
- Trust Specialty Assets Management

Debbie
Joshua
Katelyn

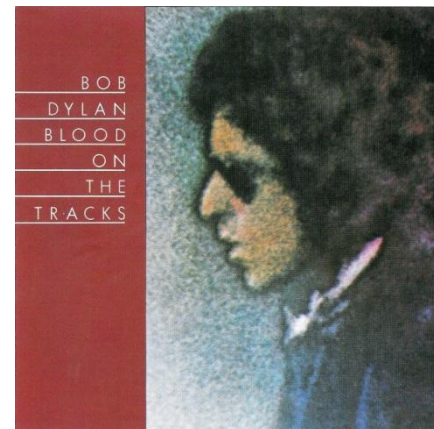
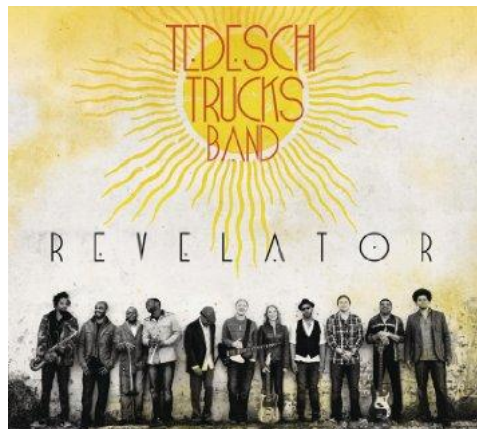


Vendor Management at the Account Level

Reading



Listening



In this session we will discuss how to efficiently assess and manage vendors, at the account level, in a manner that identifies, quantifies, and strives to mitigate any material risks associated with such relationships. This includes exercising appropriate due diligence, and risk analysis, prior to engagement, educating staff, creating a centralized vendor database, and monitoring post engagement. Our discussion today focuses on only a portion of the vendor life cycle process.

Risk



Overview

- Risk Assessment
- Due Diligence
 - Pre-Project
 - Initial
 - Ongoing
- Database Centralization
- Approval Process
- Educating Staff
- Reporting
- Monitoring



Risk Assessment

- Scope of work
- Complexity of assignment
- Expertise
- Potential use of subcontractors
- Potential of injury to client, staff or general public
- Reputational Risk
- Nature of customer Interaction
 - Real Estate
 - Real Property
 - Personal Information
 - Personal Interaction

Risk Assessment

Classifying Vendors by Risk

High

- Attorneys
- Architects
- Consultants
- Engineers
- General Contractors
- Alarm Installation/Monitoring
- Security Services
- Hazardous Waste Management

Medium

- Locksmiths
- Plumbers
- Janitorial Services
- HVAC
- Electricians
- Real Estate Appraisers
- Personal Property Appraisers
- Moving Companies
- Auctioneers

Low

- Landscapers
- Snow Removal
- Waste Management
- Pest Control
- Roofers
- Storage Facilities

Due Diligence

An inquiry into a vendor's ability to meet the requirements for the proposed service. The degree of due diligence depends on their risk categorization and ensures that controls are proportional to risk.

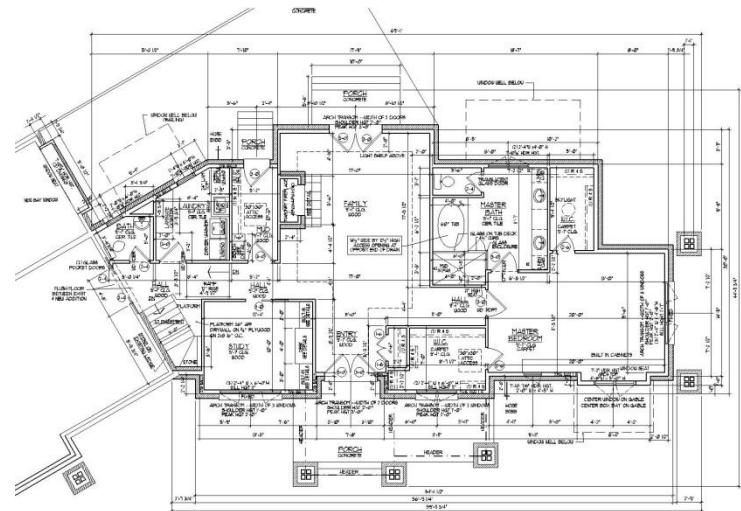
Due Diligence

- Pre-project
- Initial
- Ongoing



Due Diligence – Pre-project

- Financial Condition (if applicable)
- Assess capability - competence and capacity
- Qualification - suitability/experience/necessary license(s)
- Conflicts of Interest
- Importance of Service
- Ease of Replacement



Due Diligence – Initial

- Office Visits
- Social Media
- Google – Negative News Key Word Search
- Office of Foreign Asset Control
- Better Business Bureau
- Insurance
- Certificate of Good Standing
- Proof of Professional License(s)

“The single best machine to measure trust is a human being. We haven’t figured out a metric that works better than our own sort of, like, ‘There’s something fishy about you’.”

- Simon Sinek

Due Diligence - Initial

Office Visits

- On-site
- Off-site

Due Diligence - Initial

Social Media

- Identify data sources to be used
- Establish what you will do with this data
- Determine what weight will be placed on the data in your risk assessment
- Will your Social Media Group agree to monitor
- Frequency of update



Due Diligence - Initial

Google negative news search

- Vendor name and key words such as *criminal, illegal, unlawful, misdemeanor, fraud, defraud, felon, felony, scheme, scam, warrant, charged, lawsuit, police, sued, suing, arrest, arrested, complaint, convict, conviction, verdict, prison, jail, imprison, sanction, judgment...*



Due Diligence - Initial

OFAC

- Office of Foreign Asset Control (OFAC) Search
- Sanctions List Search is not a substitute for undertaking appropriate due diligence
- The use of Sanctions List Search does not limit any criminal or civil liability for any act undertaken as a result of, or in reliance on, such use

Due Diligence - Initial

Better Business Bureau

- Is the business accredited by the BBB
- If so, what is the BBB rating and the date on which it became accredited
- Review alternate names
- Review what factors contributed to the rating
- Review customer complaints and/or reviews
- Review summary of products or services offered
- Review contact information and details for principal(s), owner(s) and employees



Due Diligence - Initial

Insurance

- Fidelity Bond
- General Liability
- Performance Bond
- Workers' Compensation
 - Waiver – based on number of employees
 - Religious – Pennsylvania
 - Some states require general contractors to cover uninsured 1099 contractors. Check what is applicable in your state.
- Professional Liability/Errors & Omissions
- Establish coverage minimums

Due Diligence - Initial

- Corporation/LLC Search - Certificate of Good Standing
- Proof of Professional License(s)
- Confidentiality and Integrity



Due Diligence – Ongoing

- Frequency of periodic review - including confirmation of current risk rating
- Scope of periodic review
- Social Media Group integration
- Maintain complaint log, description of response and details regarding final resolution

Database Centralization

- Excel
- Access
- Open Source Databases



Approval Process

- Aggregate Data
- Manager Review
- Identify Exceptions
- Manager, Sr. Manager or Committee Approval



Educating Staff

- Training - Process
- Vendor Documentation
- Awareness – Warning Signs



Reporting

- New Vendor
- All Vendors
- Complaint/Incident



Reporting

New Vendor Report

- Summary of all new vendors submitted for due diligence sorted by risk rating
 - Identify those not approved and why
 - Identify approved with exceptions
 - Identify approved



Reporting

All Vendors

- Current, and Prior (if applicable), Risk Ratings
- Exceptions
- Insurance Coverages
- Insurance Expiration Dates



Reporting

Complaint/Incident Report

- Report status of complaints received, description of response and details regarding final resolution, if resolved



Monitoring

- Periodically evaluate the nature and purpose of the vendor relationship, as well as the criticality of the function, service or product the vendor provides.
- Insurance coverage amounts and expiration dates
- Escalate issues to Sr. Management

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