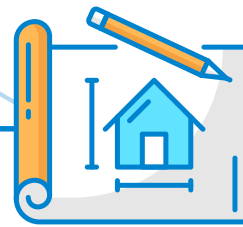


3

PLANNING STEPS **BEFORE** YOU ONBOARD A VENDOR

Planning is a critical step in third-party risk management which must occur early in the onboarding process. Before the inherent risk assessment, due diligence, and contracting, you need to plan out certain details to ensure the onboarding goes smoothly.

Here are a few questions to consider during this planning stage:



1. What is the purpose?

Proper planning will create more efficiency as you complete the following tasks:

Identify the need, cost, and benefits of the vendor

Disclose why you're outsourcing the activity and identify the users or customers. You may discover that there are more than one vendor options, or that you already contract with an existing vendor who can meet your needs.

Solicit internal approvals

The planning stage should include approvals from appropriate teams or individuals so you can proceed with the onboarding process without any roadblocks. For example, you may need to get approval that your IT infrastructure is compatible with the new product or service.

Understand the regulatory requirements

Regulators such as the Federal Reserve Board, FDIC, and OCC offer guidance on how organizations should plan third-party relationships, especially for those that are critical or high risk. For example, organizations should establish an exit strategy for their critical vendors.



2. What should be included?

The overall success of your vendor relationship will largely depend on the quality of your planning. If you rush through the process, you may overlook or misjudge critical details such as:

Strategic goals and objectives

These should be clearly defined so it's easier to determine whether the cost and benefits are aligned with your needs.

Scoping

Some vendors may be exempt from the third-party risk management lifecycle, which should be identified and documented in the third-party risk management policy.

Risk appetite

This may fluctuate, depending on the vendor and various stakeholders within your organization. It's important to validate your organization's risk appetite, as there can sometimes be a disconnect between different departments.

Initial vetting

Perform an independent search of the vendor through databases like the Better Business Bureau (BBB), Consumer Financial Protection Bureau (CFPB), and Google reviews. Also, consider Office of Foreign Assets Control (OFAC) or Politically Exposed Person (PEP) checks.

Request for Proposal (RFP)

A RFP might be considered necessary for critical or high-spend vendors.

Exit strategy

Just as onboarding a new vendor requires careful planning, so does offboarding. Plan out the details of an exit strategy before the contract is signed, especially for critical vendors. These details should define the approach, responsibilities, and any timing and testing requirements.



3. Who is involved?

Vendor onboarding planning shouldn't be the responsibility of a single person. It's important to seek the input of several stakeholders who can help form a high-level overview of the risks and benefits of each vendor. Consider the following:

Requestor

Planning typically starts with this person. The internal customer within the business unit should be involved across planning and help justify the reason behind their request.

Vendor Owner

This individual is identified during the planning phase and will manage the vendor relationship. Often, the vendor owner is the same person as the initial requestor.

Leadership

Your organization's board of directors, senior management, or the department of the requestor could be responsible for defining the approval process and business need.

IT

The IT team should be involved if the new vendor is expected to be integrated into existing infrastructure.

Third-Party Risk Management

If there is a centralized third-party risk management team, they'll typically need to be involved in planning because of their overarching responsibilities in governance, oversight, and accountability.

An effective planning process will ultimately justify the need, cost, and benefits of a vendor relationship. **Planning correctly will start your onboarding process with the right steps and help you manage risk throughout the relationship.**



Download free samples of Venminder's vendor Control Assessments and see how they empower third-party risk professionals in mitigating risks.

[DOWNLOAD NOW](#)

[PRINTABLE VERSION](#)

venminder

Manage Vendors. Mitigate Risk. Reduce Workload.

© 2024 Venminder, Inc.

+1 (888) 836-6463 | [venminder.com](#)