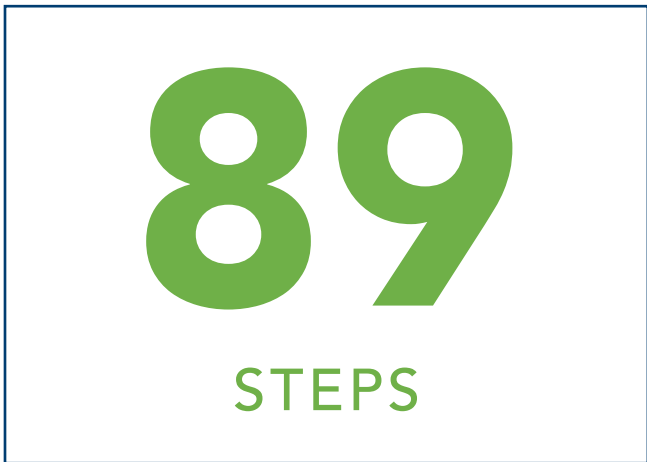




# BEST PRACTICES FOR SIMPLIFYING VENDOR ONBOARDING

# How many steps does it take to onboard the third-party vendors you need?



That's not a typo. That's the number of steps a recent ProcessUnity customer counted, clicker in hand, as he analyzed his company's former onboarding procedures. We're not even talking about the assessment – that's 89 steps just to get the vendor's data fundamentals set up.

Company by company, the number of onboarding steps may vary, but one thing remains consistent: **it's always too many.**

Too many steps take up too much time for too many people and opens opportunity for error. When your business depends on the integrity of your vendors – when they're indispensable contributors to your continuity or entrusted with sensitive data (yours or your customers') – you cannot afford either error or delay. Multiply the steps by the number of vendors, and you arrive at a figure that's difficult to manage and almost impossible to scale.

The stakes are high. You and your vendors need a more efficient process, a centralized, consistent and controllable system that meets your mutual business needs -- and can withstand the scrutiny of regulators looking over your shoulders.

In this paper, we'll reveal a practical alternative that helped our client move from 89 steps to three. Through automation, you can cut through the tangle of manual processes – miscellaneous spreadsheets, disparate databases, inconsistent workflows – to arrive at a streamlined process that reduces errors as it decreases manual effort and increases your ability to build the partnerships you need, fast.

# I: INTAKE

## Automate onboarding to focus your efforts

Although all third-party vendors must be onboarded, they do not merit equal attention. Vendors that provide essential services, or hold sensitive data, carry a high degree of inherent risk. But the contractor who maintains your lawn, or the caterer who brings lunch, represent little or no risk to you or your customers.

Simply put, the degree of inherent risk determines the depth of due diligence. An intelligent intake process:

- Acknowledges differences in risk that merit different degrees of review
- Prioritizes the vendors who require further investigation
- Reduces costly and time-consuming analyst input

The goal of the first onboarding stage is to determine which third parties among your vendor universe carry meaningful risk that requires more than a cursory review. You need to know:

1. Who: All the fundamentals, such as contact and address information, plus a summary understanding of their services.
2. What: The inherent risks, if any, associated with their services, such as physical security, data and cybersecurity, financial accountability, operational continuity, etc.

Consider this stage a first cut that merits a simple, standardized questionnaire that helps you determine whether or not the vendor requires deeper due diligence. Appropriate questions for the initial intake may include:

- Will this vendor provide products or services essential to the operation of the company?
- Will this vendor provide customer/borrower-facing services/products?
- Will this vendor require exchanges of information outside your company's network?
- Will this vendor have access to employee data, customer/borrower data, or company affiliate data?

- Will this vendor have access to non-public personal information (NPI)?
- Will this vendor host your information on their systems?
- How difficult would it be to replace this vendor with an alternative vendor?

### Replace inconsistent manual effort with standardized automation

Although the initial intake can be relatively simple, many organizations make it unnecessarily complex by relying on manual process prone to error and inconsistency. Spreadsheets cannot be easily consolidated or managed; SharePoint lacks the decisioning logic that reduces the amount and depth of analyst review; emails fail to create a documentable trail of activity.

Automation transforms the intake process, allowing you to:

#### Establish consistency

One platform, one dashboard, one centralized location allows you to access all of your vendor data and onboarding activity regardless of physical location, line of business or functional area.

#### Streamline workflows

An automated system actively prompts users for necessary information and pushes the process to the right people at the right times, minimizing errors.

#### Apply business logic

Most importantly, automation allows you to apply rules, logic, and scoring intelligence to move to the next step. Automatically determine the set of questions and document requests appropriate to each vendor's level of inherent risk.

## II: DUE DILIGENCE SCOPING: Generate questions based on risk profiles

The applied business logic in the previous step sets the stage for the next steps:

1. Determining if the vendor requires further due diligence. Third-party vendors who meet your low-risk thresholds (think: custodial services, food services, etc.) may proceed to full onboarding without delay.
2. For vendors with higher risk, generating appropriate question sets and document requests related to both the nature and extent of their inherent risk.

Many organizations approach due diligence in stages that can evolve as their policies, and their systems, become more sophisticated:

### Novice: Basic scoring, basic response

For beginners, the business logic can be as simple as “red, yellow, or green” scoring, each with its set of questions; the higher the risk category, the greater the volume of questions.

### Mature: Advanced scoring, tailored question sets

Organizations more advanced in their due diligence efforts can apply deeper logic that will create inquiries matched to the areas of risk that the intake process identified.

In either case, novice or mature, organizations should work from an established library of questions the system can draw upon.

You may start with the questionnaires you already use, and/or draw upon the Standardized Information Gathering (SIG) questionnaire as a foundation you can expand or revise as you go. If you work in a regulated industry, or have functions subject to compliance, it’s a good idea to tie your questions to regulatory concerns, making subsequent audit inquiries easier to fulfill.

The screenshot displays the ProcessUnity Third Party Risk Management interface. The main content area is titled "VENDOR REQUEST FORM" and contains a table with the following data:

Vendor Name	Description
Baldwin Financials	Add an addition service for Baldwin Financials
Troska Limited	Change service terms for origination process
ReRe Insurance	Ceding Company.
ABC Company	New RFP process initiated for ABC Company
Baldwin Financials	Operations would like to outsource payroll t
Hudson Clearing	Termination confirmation for Hudson Clearing

On the right side of the interface, there are several sections for vendor information:

- Details:** Kyle Brown
- Due Date:** 9/30/2015
- Basic Information:** Vendor Name: ABC Company; Vendor Contact Name: Steve Cabella
- Vendor Relationship:** Type of Vendor: Servicing
- Service Information:** Please explain the specific products or services: The ABC Company is being researched to provide...; Please answer all questions to the best of your...; Will this vendor provide products or services: Yes; Will this vendor provide customer/borrower-f: Yes; How difficult would it be to replace this vendor: Difficult=8; What percentage of the Bank's Business Line: 26-50%
- Initial Vendor Classification (Inherent Risk):** Initial Criticality Rating: High

# Apply automation for simplicity and precision

Again, automation trumps manual labor for efficiency, consistency, and quality. Here's why:

## Automatic scoping saves labor and time

The system selects the right questions based on intake responses, saving everyone time and improving the appropriateness of the resulting questionnaires. Analysts can then focus their time on reviewing the outputs, rather than creating the due diligence instruments. Vendors win too; with greater precision, there's fewer "back and forth" correspondence – third parties get a complete inquiry package up front with the correct questions and document requests, reducing vendor fatigue.

## Less subjectivity, more consistency

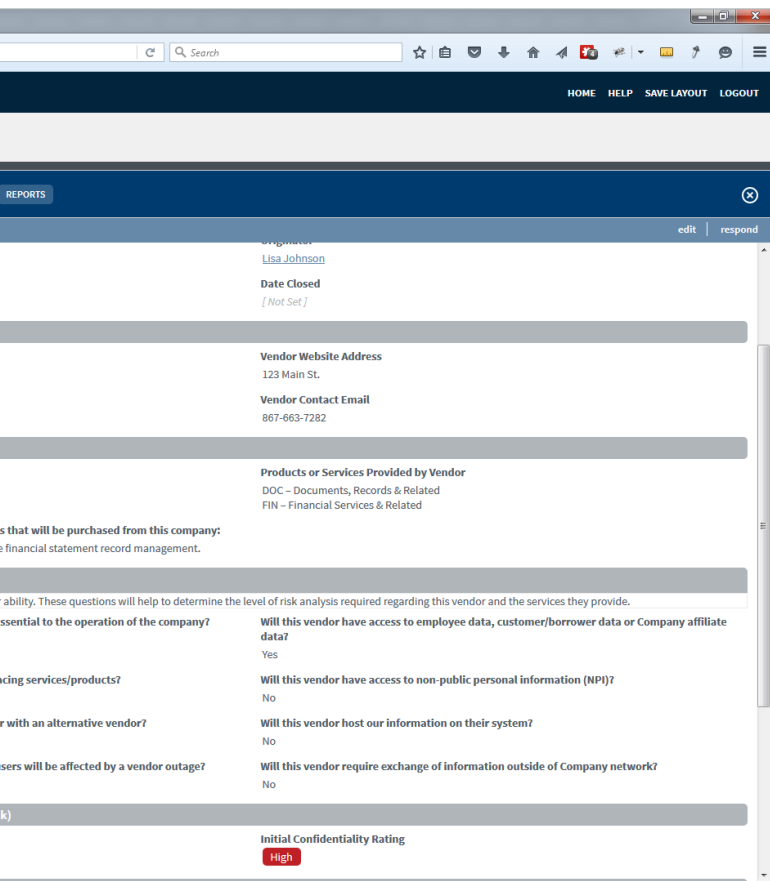
Because the rules and logic are built into the platform (subject to your own configurations), analyst subjectivity is removed, reducing errors and ensuring consistency throughout your organization.

## An audit trail examiners respect

With consolidation into one platform, the due diligence process can be completely documented in one environment. All correspondence remains transparent; all substantiating documentation – such as policies and procedures – can be tied to answers and stored for easy retrieval and review.

As you review your options for automation, it's important to anticipate future growth and regulatory changes. Look for the following qualities in your solution:

- **Import/export flexibility:** Your onboarding platform must be able to ingest data in many formats from multiple sources, and to export data in formats convenient to both analysts and vendors.
- **Secure vendor portal:** Communicating through an online portal not only makes correspondence with third parties much easier but does so in an environment outside of your own firewall, supporting the security of your network.
- **Easy updates and configuration changes:** You don't want to add more burdens to IT. A successful onboarding platform makes automatic updates to the technology as upgrades evolve; end users should be able to make configuration changes without relying on IT resources.







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