

VENDOR MANAGEMENT PROGRAM SAMPLE

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VENDOR MANAGEMENT PROGRAM

ABC INSURERS, INC.
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ABCINSURERS.COM

VERSION 0.0.0

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VERSION HISTORY

VERSION	APPROVED BY	REVISION DATE	DESCRIPTION OF CHANGE	AUTHOR
01	Jane Doe	00/00/0000	Registration Process Update	John Smith
02	Jane Doe	00/00/0000	New Product Introductions	John Smith

PREPARED BY	John Smith	TITLE	Vendor Management Analyst	DATE	00/00/0000
APPROVED BY	Jane Doe	TITLE	Vendor Manager	DATE	00/00/0000

TABLE OF CONTENTS

1. VENDOR MANAGEMENT PROGRAM OVERVIEW & PURPOSE	3
2. OVERSIGHT	4
3. POLICIES & PROGRAM RESPONSIBILITY.....	5
4. VENDOR RANKINGS.....	6
5. VENDOR RISK MANAGEMENT & MITIGATION.....	7
6. DUE DILIGENCE & REQUIRED DOCUMENTATION.....	9
7. VENDOR SELECTION	11
8. CONTRACTING.....	12
9. LEGAL REVIEW, CONFIDENTIALITY & NON-DISCLOSURE.....	13
10. MONITORING.....	15
11. REPORTING	16
12. DISCIPLINARY ACTION & TERMINATION.....	17

1. VENDOR MANAGEMENT PROGRAM OVERVIEW & PURPOSE

ABC Insurers, Inc. generates business results through partnerships mutually beneficial and built upon a drive to improve every aspect of our business continuously.

In support of those goals, vendor relationships management mitigates risks, control costs, and collaborate to achieve more significant competitive advantages to ABC Insurers, Inc.

PURPOSE

ABC Insurers, Inc. relies on services, products, and systems delivered by diverse vendors, including consulting, software and hardware vendors, IT and telecommunication services, marketing firms, and support staff. ABC Insurers, Inc. vendor managers safeguard the company by managing based on:

- **Business and Strategy:** Each vendor selection supports our overall business requirements and strategic plans.
- **Expertise:** Our internal managers must have the expertise to manage and oversee the vendor relationship.
- **Functionality:** Potential vendors are evaluated based on the products' criticality and scope or services procured.
- **Risk Management:** Associated risks of vendor engagement assessed and identified stringently.
- **Monitoring:** An ongoing oversight program monitors contractual performance and risk mitigation activities.

2. OVERSIGHT

The Vendor Management Office (VMO) and functional leaders assigned to specific vendors or types of vendors oversee vendor performance.

The VMO oversees how vendors fulfill their contractual obligations with activities that:

- **Determine:** Cost of product(s) or service(s) required.
- **Identify:** Potential vendors in meeting the strategic goals and objectives of the company.
- **Vet:** Ensures vendors have the capabilities and service experienced required.
- **Negotiate:** Conducts negotiations for preferential pricing or pricing of new products or services.
- **Manage:** Schedules and their enforcement. Ongoing risk and performance management.
- **Mitigate:** Possible risk exposures.
- **Research:** Financial reputation and current financial condition of vendors. Business relationships, past performance.
- **Verify:** Level of experience and expertise of the principals of the vendor.
- **Confirm:** Company's confidence in the vendor.
- **Foster:** Fosters ongoing relationships with vendors.
- **Review:** Performance, pricing, financial status, and goal attainment on an ongoing basis.

3. POLICIES & PROGRAM RESPONSIBILITY

ABC Insurers, Inc. requires that vendor managers negotiate or execute contracts for vendors to use these policies to govern vendor relationships.

Policies include:

- **Enforceability:** ABC Insurers Inc Vendor Management Office is responsible for policy enforcement.
- **Conflict Resolution:** The Vendor Oversight Committee resolves conflicts, or perceived conflicts, with the policy. Other policies will be secondary to this policy unless granted an exception/exemption.
- **Regulatory Review:** Vendors will be subject to regulatory review consistently determined by the VMO.
- **Exception/ Exemptions:** Companies that are not of high importance to the company or post substantial risks to the company may not be subject to every aspect of company policy regarding documentation and legal reviews. Exemptions or exceptions to this policy are submitted in writing.

4. VENDOR RANKINGS

Classifying vendors by criticality is an essential step of a vendor risk management program and oversight. Oversight and review concentration is highest for level one vendors.

Vendor Rankings:

1. **Strategic:** Typically represent about 6-10 vendors. Strategic vendors provide profitability and growth and collaborate to innovate processes, products, and services.
2. **Preferred:** Provide services vital to our business. Whether the vendor provides products or services, the business unit owner has to monitor the vendor relationship closely.
3. **Tactical:** Contracts have minimal impact on the company and may be short but be high spend partners for the engagement length.
4. **Commodity:** This type of vendor is easy to replace and not critical to ABC Insurers Inc operations, service levels and customer service.

5. VENDOR RISK MANAGEMENT & MITIGATION

ABC Insurers Inc. makes risk management a priority in all of its vendor relationships. Failure to mitigate and prevent these risks can result in significant financial loss, reputational damage, and legal/regulatory issues.

The VMO assesses and oversees risks factors and enforces mitigation, and manages vendors regarding:

- **Compliance Risk:** Operational and information security policies, procedures, and processes. Compliance laws and regulations to be met.
- **Country Risk:** Risks arising from the political, economic, and social landscape within a foreign country can impact vendor services and our company operations.
- **Environmental, Social and Governance Risk:** Related to climate change impacts, environmental practices, working and safety conditions, human rights, and compliance with laws and regulations.
- **Financial Risk:** Any financial risks based on the vendor's condition.
- **Operational Risk:** From a failed system of internal operational controls relating to failures associated with people, processes or methods.
- **Reputation Risk:** Relates to data breaches, unethical business practices, or other actions that have generated negative public perception and opinion.
- **Strategic Risk:** Failure to achieve planned business objectives, initiatives or goals.
- **Technology Risk:** Any number of information technology and information governance and security issues, including inadequate resources (hardware, software or workforce).

RISK MITIGATION CONTROLS

1. **VMO:** The VMO identifies, assesses and mitigates risk and implements controls based on the company framework.
2. **Corporate Departments:** Specialists regularly review in risk management, information/data security, regulatory or legal compliance assist in supporting the vendor risk management by monitoring and performing other activities to confirm compliance with internal policies/external regulations.
3. **Internal Audit:** Board of Directors and Executive Management with reports assessing the design and operating effectiveness of risk management activities and internal controls of the vendor management process.

6. DUE DILIGENCE & REQUIRED DOCUMENTATION

The documents vendors must submit for consideration may vary. XYZ Document Services collects and stores requisitioned documents as part of our due diligence reviews and onboarding process. Requests for resubmittal and updates are part of ongoing due diligence.

Some of the required documents include, but are not limited to:

- **Qualifications and Company Background:** Vendor's business history and market share for a given service. Company principals' backgrounds, and when appropriate criminal background checks.
- **Ownership and Licenses:** Contact, background information, business and patent licenses.
- **Tax Forms:** Completed IRS and accounting forms.
- **Financial Reports:** Banking, investment and Income statements, including audited financial documentation, are required.
- **Assessment of Information Security of Information Technology Control:** Verification of application standards such as SOC reporting.
- **Information Security:** Detailed descriptions and verification of data protection are necessary.
- **Risk Management and Assessment Plans:** Written plans that describe controls in place to lower risk and ongoing assessments.
- **Business Continuity Plan:** Detailed plan including documentation around how the vendor plans to continue their business operations AND support your institution in the event of a disaster or outage. The program may be part of a SOC 2 report.

- **Incident Response Plan:** Detailed plan and documentation describe methods to prevent, detect, or recover from cyber or internet-based incidents. The plan may be part of a SOC 2 report.
- **Insurance Coverage:** coverage is adequate to cover any losses that you may incur due to a failure on the vendor's part.
- **Subcontractor Controls:** Review plans and processes that govern the vendor's subcontractors for performance, quality, compliance and insurance.

7. VENDOR SELECTION

Strategic sourcing maximizes vendor relationships, reduces costs, streamlines procurement, and ensures compliance. ABC Insurers, Inc. also looks for a cultural fit for connections that will be long-term and require significant resources with Level 1 or 2 vendors.

Vendor selection begins with three phases:

- **Procure:** New vendors are part of a competitive bid process from a minimum of 3 sources.
- **Planning:** Requirements for qualified vendors are developed based on the products or services to be purchased. Clarification of performance expectations and risk identification, assessment, and management are part of the planning process. Also, all parties directly or indirectly involved with the vendor or use the contracted services, documentation needed to ensure that the service or products procured, and any technical expertise required to complete the procuring and onboarding.
- **Solicitation:** Solicitation is the process of notifying qualified vendors that ABC Insurers want to receive bids or proposals on the specified products or services. Solicitation comes in the form of a Request for Quote (RFQ), Request for Proposal (RFP) or Request for Information (RFI) to facilitate the creation of the RFQ/RFP. Details vary, but the proposal should describe the objectives, scope of work, service levels, key performance indicators, delivery timelines, change controls, financial penalties, fee schedule, and selection criteria.

After these steps determine that a vendor is qualified, the VMO does its due diligence, risk assessment, and contract development.

8. CONTRACTING

ABC Insurers uses a DCE Contract Management cloud-based system to house and track all its written agreements, including security surveys and due diligence documentation.

Contract activities include:

- **Contract:** Contracts between ABC Insurers Inc and its vendors specify in a level of detail all relevant terms, conditions, responsibilities, and liabilities of both parties. All contracts undergo review to check for compliance with company policy. Counsel reviews each contract to ensure the terms and conditions for the service or products provided are appropriate.
- **Contract Administration:** Contracts reside in the DCE Contract Management System and accessible only to those with a business need. The contracts are maintained in the central document repository to ensure regulatory compliance and document preservation requirements.
- **Expiration, Modification and Renewal:** Contracts are flagged for review when contracts are due to expire in 60 days or the minimum notice period to amend, modify, amend, extend or renew the original agreement. It is the responsibility of the VMO to complete any risk assessment or due diligence before renewal.
- **Termination:** Termination occurs with contract expiration, when contract terms have been satisfied, or because of contract default.

9. LEGAL REVIEW, CONFIDENTIALITY & NON-DISCLOSURE

ABC Insurance Inc.'s legal counsel will review all contracts.

Vendor contracts address:

- **Scope:** Specifics of arrangement, services offered, and activities authorized.
- **Responsibilities of All Parties:** Details of the obligations of ABC Insurers, Inc., the vendor and their subcontractor's duties are detailed.
- **Service Level Agreements (SLA):** A list of expectations and obligations. The SLA may be attached to the document that addresses performance standards and measures.
- **Reporting:** Requirements for performance reports and frequency.
- **Ownership:** Control, maintenance, and access to financial and operating records; Ownership of servicing rights.
- **Confidentiality and Non-disclosure:** Vendors maintain strict confidence and do not share any aspect of the relationship without permission.
- **Audits:** This portion of the contract includes the rights and requirements (including responsibility for payment guaranteed by the contract. The primary areas evaluated in a vendor audit are vendor feasibility, management competence and responsibilities, and data integrity system accuracy. The main objectives for a vendor audit are to assess the whole organization's quality management through its procedures and data processes.
- **Business Resumption or Contingency Planning:** Business continuity and contingency plans are part of expected due diligence. The vendor needs to conform to those, and other items specified in the contract.

- **Insurance Coverage:** Specifics about the types and dollars amount of insurance coverage necessary to fulfill contract obligations.
- **Customer Complaints and Customer Service:** This clause describes service issues and their resolution by the vendor.
- **Compliance with Regulatory Requirements:** Specifics about which regulations are to be met by the vendor.
- **Penalties:** Financial penalties result from performance failures.
- **Dispute Resolution:** Covers how ABC Insurers, Inc. and vendors handle differences. Parties can agree to arbitration or mediation.
- **Default, Termination and Escape Clauses:** Covers in detail how either party can end the contract.

10. MONITORING

ABC Insurer, Inc's vendor management requires ongoing monitoring of vendor spend, performance, and risk.

Vendor activities regularly reviewed by the VMO relate to:

- **Spend:** Data for different spending levels based on categories are reviewed based on total spend by vendors, total spend on vendors, spend by vendor type, and various spend analyses or other areas of spend. Data-Driven Reports: Data is the driver for quantifying the overall spend and measuring the vendor expenses.
- **Performance:** The VMO develops a performance audit program with business area managers to assess vendor compliance with service levels and quality of service agreements. The scope of review, frequency, and documentation vary but usually include oversight, service level, quality agreements, contract terms, billings, and disbursements.
- **Risk:** Continuous monitoring for risk factors and behaviors based on Country, Environmental, Social and Governance, Financial Risk, Operational Risk, Reputation Risk, Strategic and Technology Risk.

11. REPORTING

The VMO provides reports on vendor risks, performance and spend monitoring activities.

There are four different types of reports:

- **On-Demand Reports:** Ad hoc reports prompted by fraud or compliance concerns.
- **Executive Committee Reviews:** Receives group level quarterly and yearly reports and detailed reports as requested.
- **Oversight Committee:** Receives all board of director and executive committee reports, plus monthly accounting, risk and performance reports.
- **Technology Reviews:** IT vendor reviews and reports require expertise. The CIO or his designated managers conduct these assessments.

12. DISCIPLINARY ACTION & TERMINATION

ABC Insurers Inc and it's VMO monitor vendors to supervise performance and compliance. If a vendor fails to follow contracted procedures, appropriate actions ensue.

Disciplinary actions and disputes by the VMO shall include the following process steps:

- **Oral Reprimand:** After documenting problems or issues, and usually a face-to-face or virtual meeting, the designated VMO manager and subject vendor discuss poor performance or other issues to determine if there was a violation of contract terms.
- **Written Reprimand:** If poor performance or other issues persist, the VMO submits a written notice to the vendor detailing the problem and potential solution and a second face-to-face or virtual meeting. The VMO will provide a timeframe for resolution.
- **Arbitration:** Disputes are subject to arbitration, which is a remedy included in ABC Insurers Inc. contracts. The arbitrator or arbitrators are individuals agreed to by both parties.
- **Termination:** If the vendor cannot comply with contract terms after oral and written reprimands, the relationship is terminated with notice and according to steps detailed in the vendor contract.
- **Re-Installment:** Vendors who have provided unacceptable performance may apply for reinstalment and vetting per the due diligence and other standards set by the VMO.

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