
Proposal for: ABC Company

**Vendor and Contractor Risk Compliance
Application Business Case**

June 26, 2015

Number of Vendors: 4000

Enterprise Risk Control LLC

1800 Preston Park Blvd Suite 200

Plano TX 75093

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY	3
INTRODUCTION	4
1.1 Purpose of Business Case.....	4
2 GENERAL INVESTMENT INFORMATION	4
3 PROJECT DESCRIPTION.....	4
4 HIGH-LEVEL BUSINESS IMPACT	5
5 ALTERNATIVES AND ANALYSIS.....	5
5.1 Alternative A.....	5
6 PREFERRED SOLUTION	6
6.1 Financial Considerations.....	6
6.2 PRELIMINARY Acquisition Strategy/Plan.....	7
6.3 Preliminary Work Breakdown Structure	9
APPENDIX A: BUSINESS CASE APPROVAL	10

1 EXECUTIVE SUMMARY

Vendors and contractors have generally been considered as only providers of goods and services and once the services were rendered or goods procured, the relationship ceased. These third party relations need to be viewed as business partners. The result is that now their legal issues are your legal issues and have direct bearing on (company).

(company) needs to understand that there is a different governmental and legal relationship with the vendors and contractors like never before. This heightened regulatory environment is a major influence and is regularly reviewed by our federal government. There are many rules and regulations in place that are designed to force organizations to monitor and address both internal and external risks. The goal of this project is to prevent fraud and protect (company) and their investors while positively impacting shareholder value.

This proposed Risk Compliance management program consisting of software and consulting services will automate the business processes to track, measure, evaluate and manage your third party relationship risk. These processes will manage the Risk compliance issues regardless of the type of services, products, or vendor location. This project provides the up to the minute ability to quickly and accurately assess the exposure to (company) and provide the necessary controls to lessen the financial impact on your business if a legal situation should occur. This is a program with a set of proven business processes which provides consistency for managing all vendors to ensure that all the requisite risk-related information is current and up to date. This information is necessary to mitigate risk and is managed and accessible to all necessary parties within (company).

INTRODUCTION

1.1 PURPOSE OF THE BUSINESS CASE

A Vendor and Contractor Risk Compliance management program is a methodology including a software application and business processes in place to track, measure, evaluate and manage third party relationship risk of all parties that (company) does business with. It is the ability to assess the legal and financial exposure and to develop controls to lessen the impact on (company) if a situation should happen. It is a program with a set of proven business processes which provides consistency for managing all vendors to ultimately ensure that all information necessary to mitigate risk is both managed and readily accessible by the necessary parties within (company). These parties include Risk/Safety, Human Capital, Legal, and the Executive leadership team.

2 GENERAL INVESTMENT INFORMATION

Investment/Project Name	Vendor and Contractor Compliance Application Project
C/O	
Business Sponsor and Phone Number	
Name of Sponsor Organization	(company)
Sponsor's Signature and date	
Investment Manager (Name, Contact #)	Not Applicable
The investment type is: Systems, Non-Systems, or Infrastructure	The following defines the investment type of the project: <ul style="list-style-type: none">• An outside SaaS solution provider- Enterprise Risk Control• Non-systems support: (company) Risk/Safety Department• Infrastructure includes network services and software.

3 PROJECT DESCRIPTION

The project will provide a set of business processes and a website managed by Enterprise Risk Control for (company) Risk Management and Accounts Payable personnel. This program will provide access to all vendor risk-related information on an as-needed basis to the (company) staff to determine if the vendors are current and up to date with their insurance and other risk compliant issues. This includes many different levels of legal compliance including but not limited to:

- Insurance Certificate Management
 - Monitoring of additional insured endorsements
 - Monitoring of AM Best Rating
 - Quarterly verification of active status
- Vendor/Contractor/Supplier Credentialing
 - Bankruptcy

- Liens
- Judgments
- Professional License
- Vendor Agreement - Risk Transfer Document
 - Assistance in Compliance with Immigration Regulations
 - Hold Harmless
 - Code of Ethics
 - Client Driven
- Management of W-9 Documents
 - Tax ID Verification
- Criminal & Sex Offender Screening
- Government Watch List Search
 - Patriot Act (OFAC)
 - Money Laundering Act
 - Executive Order 13224
- Up-to-date registry of all contracts, insurance policies/coverage
- Notification alerts
- FCRA Compliance

4 HIGH-LEVEL BUSINESS IMPACT

The business processes and functions that will be positively impacted for the Risk and Safety Department because the manual clerical labor that is currently being done to manage the Certificates of Insurance will no longer be necessary. It will be automatically managed by Enterprise Risk Control through direct communication with the vendors and their Insurance brokers. This will provide both an increase in compliance percentages and a simultaneous productivity increase in the (company) Risk/Safety Department. The Accounts Payable department will have access to vendor risk related information resulting in reduced labor efforts and increased productivity.

5 ALTERNATIVES AND ANALYSIS

5.1 ALTERNATIVE A

- The single alternative is to decide to continue with the current process in place which is a manual process that is time consuming, rife with inaccuracy, while possibly placing (company) in a precarious legal situation with their vendor community. The increase in productivity is based upon client interviews with the increases ranging from 30-70%. For this business case, we have chosen to choose the most conservative estimate of 30% of the employee \$50,000.

Alternatives Analysis	Year1	Year2	Year3	Year4	Year5	Total
Alternative A						
<i>Cost of Alternative</i>	<i>(\$100,000)</i>	<i>(100,000)</i>	<i>(\$100,000)</i>	<i>(\$100,000)</i>	<i>(\$100,000)</i>	<i>(\$500,000)</i>
<i>Cost Savings</i>						
<i>Increased Productivity</i>	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
Total Benefit	\$115,000	\$115,000	\$115,000	\$115,000	\$100,000	\$575,000

6 PREFERRED SOLUTION

6.1 FINANCIAL CONSIDERATIONS

There is NO financial consideration for (company) except the cost incurred by continuing with the set of manual processes currently in place. The cost model employed by Enterprise Risk Control is a Vendor Pay Model. The vendors and contractors that perform services and provide products to (company) pay a nominal annual fee of \$150.00 to have the above.

The cost of doing nothing is called the Cost of Non-Conformance. This cost represents the decision to continue with your current processes. The calculation format is based upon a particular number of vendors, and rounded to one-thousand (1,000) vendors.

The cost per one-thousand vendors is fairly representative across many types of industries and geographic areas and has been extrapolated after several years of research, therefore should be applicable for (company) as well. The calculation of the overall cost of the current work to manage the Certificates of Insurance at (company) should approximately be \$25,000 per year. This will provide an overall cost basis for maintaining the vendor file compliance issues.

(company) Risk Management Vendor Case Calculation:

Number of Vendors: **4,000**

Without a Vendor Risk Management program, a vendor risk manager requires approximately 40 hours per week to manage 1000 vendors, or one full-time equivalency (FTE).

The job description to manage vendors includes:

- Phone calls
- Report generation and review
- Email work
- Searching and reviewing vendor documentation online or in paper form
- Performing verification work with insurance companies, legal entities, and vendors
- Other issues include repeat efforts due to a lack of processes and systems in place

Calculation:

4,000 Vendors divided by 1,000 = 4 x \$25,000= **\$100,000** it currently costs (company) to manage and maintain their current Insurance Certificate Tracking process.

(company) will realize an annual savings of **\$100,000** from the Risk Management department while yielding a tremendous increase in work performance, while reducing the risk of liability. Typically there is also a 30-70% increase in labor productivity as well. This savings is reflected in the Alternative Cost A calculation.

Qualitative benefits and concerns:

Along with the quantitative benefits discussed in section 5.1, there are also qualitative benefits including

Concerns:

The Vendor Pay Model removes the financial consideration from (company) because all fees are paid by the vendor, who is also receiving great benefit from this service. However, on rare occasions, vendors may raise some concerns including:

1. Loss of vendor control by (company)

Response: *Enterprise Risk Control provides a comprehensive Vendor Compliance solution, and (company) will realize a completely different level of access to vendor information which will revolutionize (company)/vendor relations. This level of access can be extend to the vendor which provides an unprecedented 360 degree level of customer/vendor communication and control by (company).*

2. Vendors objecting to pay the \$150.00 annual fee.

Response: *Many vendors may have already been introduced to a Vendor Pay Model by another customer or already enrolled in one. Most vendors will consider the \$150.00 fee to be a nominal charge to continue to do business with (company). The benefit to vendors will be a positive Risk Management assessment that they can utilize when marketing their products/services to prospective customers, separating them from their competition who may not be properly vetted.*

Note: Some vendors choose to not want to enroll because they might have business issues that they chose for their customers not know.

3. Vendors might bill back the cost in padded services or product charges.

Response: *The vendor selection process by (company) is most likely performed in a manner that the selected vendors are both respectable and trustworthy and therefore not occur. The \$150.00 fee is a very small fee to be a preferred DS vendor.*

6.2 PRELIMINARY ACQUISITION STRATEGY/PLAN

The resources necessary to accomplish this project is the solution provided by Enterprise Risk Control LLC (ERC).

- Experienced team with over 50 years of combined experience in the Risk Management Industry, and is US based and operated.

- Top to bottom insurance certificate management from assisting with setting risk/policy requirement limits, accuracy of COI's, insurance expiration, renewal and endorsement management, to working directly with vendors agent to assure complete accuracy of coverages
- Principal screening for VCAP, OFAC, BL&J
- Company screening for fraud, money laundering, terrorism, BL&J
- W-9 collection & verification • Vendor diversity (MBE) document management
- Professional license management
- Contract storage repository
- Customizable, intuitive user interface • Integration with client accounting systems
- Real-time reporting • Notification alerts
- Customizable rules with criteria failure analysis
- Secure website access to your data 24/7
- Large batch processing • API's / Integration

The Enterprise Risk Control Solutions:

INSURANCE

ERC assumes all aspects of insurance document management including the collection of insurance certificates, authenticating their accuracy, storage, insurance renewals and endorsement management. We make sure the client not only has valid Certificates of Insurance from their vendors, but that the coverage's they have requested are sufficient and appropriate for their business needs.

Enterprise Risk Control employs an in-house Certified Risk Manager who will meet with (company) and assist what the proper requirements should be. The ERC Risk Manager will be responsible for explaining the various types of coverage, review the additional insured language and carrier ratings necessary, and make sure that (company) will have a comprehensive understanding of the risk associated with each of them. ERC will incorporate (company)' decisions into the rules based system ensuring that the correct requirements are in sync with the coverage's carried by the vendors. ERC also works directly with the insurance agent of the vendors to obtain the appropriate certificates, then going forward will manage certificate expirations, cancellations and changes in coverage. ERC will contact the vendor insurance agent on a quarterly basis to make sure the policy and limits remain in effect. Both vendors and clients can choose to receive notifications of expiring insurance policies as well.

CONTRACTS

ERC will maintain a repository of all documents relevant to the services provided. Those documents include, but are not limited to Vendor Agreements, W-9's,

Licenses, MBE Certifications, etc. The documents are available to both the (company) and vendor through the Enterprise Risk Control web based portal. If the (company) does not have a standard vendor contract that they use, ERC can provide a sample Vendor Agreement with standard contract terms such as Warranty and Indemnity, Confidentiality, Independent Contractor, Insurance and other terms and conditions for use by the client in developing an agreement specific to their needs, pending (company) legal consul review and approval.

INTEGRATION

ERC provides several ways to integrate with (company). ERC offers options for sharing data from basic Web pages to full suites of XML APIs and Web Services providing the client with a wide range of integration options. ERC has the ability to act as a third party standalone system or as an integrated compliance engine for an already established vendor system.

6.3 PRELIMINARY WORK BREAKDOWN STRUCTURE

The Work Breakdown Structure (WBS), which is a listing of the work tasks necessary to complete this project. The WBS will be organized by the team of (company) Risk Management group and the Enterprise Risk Control (ERC) consulting organization. This team will utilize the ERC Client Enrollment Process guideline book which has already been provided to Ms. Shetikka Rogers, (company) Risk/Safety Analyst. This process will be key to the success of the project and it is also documented for changes and updates.

Appendix A: Business Case Approvals

The undersigned acknowledge they have reviewed the Vendor and Contractor Risk Compliance Application Business Case and agree with the approach it presents. Changes to this business case will be coordinated with and approved by the undersigned or their designated representatives.

Signature: _____ Date: _____
Print Name: _____
Title: _____
Role: _____

Signature: _____ Date: _____
Print Name: _____
Title: _____
Role: _____

Signature: _____ Date: _____
Print Name: _____
Title: _____
Role: _____