
Prospective Client

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

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Proposed Vendor:

Enterprise Risk Control LLC

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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 **Prospective Client**.

Prospective Client is faced with a different governmental and legal relationship with their vendors and contactors 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 minimize risk and protect **Prospective Client** 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. ERC provides the ability to quickly and accurately assess the exposure to **Prospective Client** 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. Managing this information is imperative to mitigate risk for all necessary parties within **Prospective Client**.

2. INTRODUCTION

PURPOSE OF THE BUSINESS CASE

A Vendor and Contractor Risk Compliance management program is a program with a set of proven business processes which provides consistency for managing all vendors, ultimately ensuring that all information necessary to mitigate risk is both managed and readily accessible by the necessary parties within **Prospective Client**. These parties include Risk/Safety, Human Capital, Legal, and the Executive leadership team. It is the ability to assess the legal and financial exposure and to develop controls to lessen the impact on **Prospective Client** if a risk-related situation should occur.

3. PROSPECTIVE CLIENT STAKEHOLDER INFORMATION

Investment/Project Name	Vendor and Contractor Compliance Application Project
C/I/O	
Business Sponsor and Phone Number	
Name of Sponsor	

Organization	
Sponsor's Signature and date	
Investment Manager (Name, Contact #)	
investment type: 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: Prospective Client Risk/Safety Department • Infrastructure includes network services and software.

4. PROJECT DESCRIPTION

The project will provide a set of business processes and a website managed by Enterprise Risk Control for **Prospective Client** Risk Management and Accounts Payable personnel. This program will provide access to all vendor risk-related information on a real-time, as-needed basis to the **Prospective Client** 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

5. HIGH-LEVEL BUSINESS IMPACT

As a result of ERC’s management of all document collection, including collection and verification of vendor Certificates of Insurance, internal **Prospective Client** business processes will be streamlined in the Risk and Safety Department. Certificates of Insurance will be obtained by Enterprise Risk Control through direct communication with the vendors and their Insurance brokers and verification of compliance will be managed on each certificate received. This will drive increased compliance percentages along with a simultaneous productivity increase in the **Prospective Client** Risk/Safety Department. The Accounts Payable department will have real-time access to vendor related information such as W-9’s and compliance status, thereby resulting in reduced labor efforts and increased productivity.

6. ALTERNATIVES AND ANALYSIS

1. The first alternative is to continue using your current Certificate of Insurance (COI) tracking system. There are two issues with retaining this type of service.
 - a. Certificate of Insurance programs are obsolete. Because of the legal and financial impact that your vendor relationships can pose to your organization, COI tracking services no longer provide sufficient protection. Your organization requires state of the art vendor risk management protection against potentially costly litigation.
 - b. The cost of the service is paid by the customer on behalf of the vendors they do business with. Annual fees are priced by the number of certificates of insurance tracked by the service provider, and can range from \$20 to \$69 per year, per vendor certificate. The price range reflects the various services selected. In addition to the annual certificate fees, consulting services, implementation fees, report and custom form creation work are all additional charges. Additional charges can also be charged for document and insurance certificate copies requested by vendors.
2. The second alternative is to engage ERC to manage the entire vendor compliance process at no cost to **Prospective Client**, using their state of the art systems and their professionally trained compliance team professionals. The advantage to this alternative is a zero cost solution with high vendor compliance rates and accurate and easily available vendor compliance documents and information. **Prospective Client** should expect to recapture somewhere between a 10-20% increase in productivity in those areas currently managing vendor compliance.

Alternatives Analysis	Year1	Year2	Year3	Year4	Year5	Total
<i>Alternative 1</i>						
Cost of Alternative	(\$76,500)	(\$76,500)	(\$76,500)	(\$76,500)	(\$76,500)	(\$382,500)
Cost Savings	\$0	\$0	\$0	\$0	\$0	\$0
Total Annual Cost	<u>(\$76,500)</u>	<u>(\$76,500)</u>	<u>(\$76,500)</u>	<u>(\$76,500)</u>	<u>(\$76,500)</u>	<u>(\$382,500)</u>

Alternatives Analysis	Year1	Year2	Year3	Year4	Year5	Total
<i>Alternative 2</i>						
<i>Cost of Alternative</i>	\$0	\$0	\$0	\$0	\$0	\$0
<i>Cost Savings</i>	\$76,500	\$76,500	\$76,500	\$76,500	\$76,500	\$382,500
<i>Total Annual Benefit</i>	<u>\$76,500</u>	<u>\$76,500</u>	<u>\$76,500</u>	<u>\$76,500</u>	<u>\$76,500</u>	<u>\$382,500</u>

7. ERC SOLUTION

7.1 FINANCIAL CONSIDERATIONS

The cost consideration for your organization is simple, continue with the obsolete Certificate of Insurance tracking service currently in place at a cost of \$76,500 per year, or engage ERC to handle the vendor compliance process at NO cost to **Prospective Client**. The cost model employed by Enterprise Risk Control is a Vendor Pay Model. The vendors and contractors that perform services and provide products to **Prospective Client** pay a nominal annual fee of \$150.00 to go through the compliance process.

The cost of doing nothing is called the Cost of Non-Conformance. This cost represents the decision to continue with your current processes. The annual cost to track each Vendor Certificate of Insurance can be calculated accordingly:

Risk Management Vendor Case Calculation:

Number of Vendors: **4,500**

Calculation:

4,500 Vendors multiplied by \$25 annual COI fee = **\$76,500**. This represents the current costs associated to **Prospective Client** to manage and maintain their current Insurance Certificate Tracking and compliance process.

Prospective Client will realize an annual savings of **\$76,500** from the reduced corporate Risk Management effort while freeing up resources to focus on other activities critical to **Prospective Client**' operations.

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

1. Loss of vendor control by **Prospective Client**.

Response: Enterprise Risk Control provides a comprehensive Vendor Compliance solution, and **Prospective Client** will realize a completely different level of access to vendor information which will revolutionize **Prospective Client**/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 **Prospective Client**.*

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 have already enrolled in one. Most vendors will consider the \$150.00 fee to be a nominal charge to continue to do business with **Prospective Client**. The benefit to vendors will be a positive Risk Management assessment that they can utilize when marketing their products/services to Prospective Clientive customers, separating them from their competition that may not be properly vetted thereby leveling the playing field.*

Note: Typically vendors who resist enrolling do so because they have business or background issues that they choose not to disclose to their customers.

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

Response: *The vast majority of your reputable vendors will understand and appreciate the advantages that come with becoming a preferred **Prospective Client** credentialed vendor and will consider the \$150 fee a reasonable cost of doing business.*

7.2 PRELIMINARY ACQUISITION STRATEGY/PLAN

Enterprise Risk Control LLC (ERC) provides the resources necessary to implement their solution and accomplish the goals set out for this project.

- Experienced team with over 50 years of combined experience in the Risk Management Industry. All ERC operations are 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's internal 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

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 **ORGANIZATION** and assist you in determining 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 **Prospective Client** has a comprehensive understanding of the risk associated with each one of them. ERC will incorporate **Prospective Client**' 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, and 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 full force and 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 **Prospective Client** and vendor through the Enterprise Risk Control web based portal. If **Prospective Client** 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. All agreements will be subject to **Prospective Client** approval and legal consul review.

INTEGRATION

ERC provides several ways to integrate with **Prospective Client**. 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.

7.3 PRELIMINARY WORK BREAKDOWN STRUCTURE

The Work Breakdown Structure (WBS), is a listing of the work tasks necessary to complete this project. The WBS will be organized by the team of **Prospective Client** Risk Management group and the Enterprise Risk Control (ERC) consulting organization. This team will utilize the ERC Client Enrollment Process guideline which has already been provided to **Ms. Shetikka Rogers, Prospective Client Risk/Safety Analyst**. This process will be the foundation for a successful project and will be used for documenting 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: _____