

# 3<sup>RD</sup> PARTY MANAGEMENT & COMPLIANCE

## SCCE TAMPA REGIONAL CONFERENCE

April 27, 2018



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# 3<sup>RD</sup> PARTY MANAGEMENT & COMPLIANCE

## Why is 3<sup>rd</sup> Party Compliance so important?



Client's Satisfaction




Cost Efficiency

Client


Supplier

Cost

People




Our Valued Partners



All Employees

### Using 3<sup>rd</sup> Parties

- Greater insight
- Increased visibility
- Manages risk associated with non-employees
- Maximizes your bottom line



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# What types of risk do you associate with 3<sup>rd</sup> parties?



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**KEY 3<sup>RD</sup> PARTY RISK AREAS**




**Ethics & Anti-Corruption**



**Cybersecurity**



**Employment**

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**What are the high-level strategies or tools your company uses to mitigate 3<sup>rd</sup> party risks?**

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**OVERVIEW OF OUR RISK MITIGATION STRATEGIES & TOOLS**




**Policies & Procedures**




**Due Diligence**




**Training**




**Self-Help Resources**




**Industry Collaboration**



**Audits**



**1-on-1 Partnership**

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# ETHICS & ANTI-CORRUPTION



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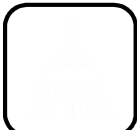
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## CONTEXT FOR LOCKHEED MARTIN'S ETHICS & ANTI-CORRUPTION RISK MANAGEMENT EFFORTS



LM has strong Ethics and Anti-Corruption Programs internally, but...



Government contractors are increasingly being held responsible for misconduct of 3<sup>rd</sup> parties



With around 20,000 suppliers and hundreds of consultants, there's a lot of risk to mitigate



As a huge player in our industry, we have power and responsibility to effect systemic change



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8

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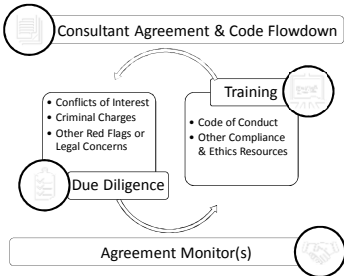
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## CONSULTANT ANTI-CORRUPTION RISK



- Maximum 2 year agreements
- Due diligence review or in-person ethics training every year (alternate)
- Required for all business development consultants



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9

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# SUPPLIER ETHICS & COMPLIANCE RISK

LM and DII Supplier Codes in all Purchase Orders

FAR 52.203-13 Flowdown in USG contracts >\$5.5MM

Infographic guides to program elements

## Ethics Supplier Mentoring Program

### Supplier Self-Assessment Tool

### Live Webinars

### Other Online Resources

## Industry Resources

ARE YOU MEETING YOUR ETHICS AND COMPLIANCE PROGRAM REQUIREMENTS?

ARE YOU MEETING YOUR ETHICS AND COMPLIANCE PROGRAM REQUIREMENTS?

DII Small Business Toolkit

Created May 2016

DCR

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10

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# ETHICS SUPPLIER MENTORING PROGRAM



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11

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# CYBERSECURITY

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VMS/MSP CYBERSECURITY RISK MITIGATION STRATEGY

AICPA  
SOC 2

"You have to evaluate cybersecurity compliance not as an expense, but as a money saver. Sure, managing compliance takes resources, but it's nowhere near as expensive as the costs associated with a breach"

Cyber Security

Plan

Encrypt

Authenticate

Monitor

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13

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SUPPLY CHAIN CYBERSECURITY RISK MITIGATION STRATEGY

Understand Posture

Build Awareness

Reduce Risk

Cybersecurity Questionnaire

NIST 800-171 Questionnaire

Verification

DFARS Compliance

Risk-Based Actions

Threat Awareness and Monitoring

DAE SYSTEMS

LOCKHEED MARTIN

EXOSTAR

BOEING

Raytheon

Rolls-Royce

INDUSTRY STANDARDS

COMMON EXPECTATIONS

COLLABORATIVE APPROACH

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14

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EMPLOYMENT RISK

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### CONTINGENT LABOR EMPLOYMENT RISK MITIGATION STRATEGY

#### Practice What You Preach



- Lead by Example
- Build a solid foundation in your Core Values (Code of Conduct)

#### Hands On



- Internal Audits
- External Audits
- Legal Counsel
- Partnership with clients/suppliers

#### Educating, Training & Repeating



- Policy & Procedures
- Training/Examples
- Continuous and Evolving practices

#### Laws that You Need to Know

New Hire/On-boarding  
Civil Rights Violations  
Federal Wage and Hour Laws



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### NOTABLE CASE LAWS

- Lawson v. GrubHub Inc., (Worker Misclassification – Feb 2018)
- Fausch v. Tuesday Morning (EEOC – Nov 2015)



"But the mere truth won't do.  
You must have a lawyer."

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## What are some challenges of 3<sup>rd</sup> party risk mitigation?

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## CHALLENGES OF 3<sup>RD</sup> PARTY RISK MITIGATION

- Availability or accuracy of data needed to assess risk
- Lack of cooperation/communication with partners
- "The Unknown" – You don't know what you don't know



"If you aren't in over your head, how do you know how tall you are?"



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19

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## Questions?



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## Thank you!

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