This presentation and discussion is for Educational Purposes only

Should you desire advice on your specific situation, please seek the counsel of an advisor of your own choosing
This Session

• Interactive
• Sharing Insights & Experiences
• Questions at Anytime
• A Few Exercises
• Discussion

The Challenge

• This is an evolving area
• There is no “Play Book” – only emerging, ad hoc approaches
• It takes time, resources, money, and management attention
• The numbers are daunting
• How to “Scale” the Process
4th Party Management – Short Course

• Your 3rd Party Is Your Portal to Your 4th Parties
• You Want to Get It In Your Contract
• Review / Update / Revise Your 3rd Party Vendor Risk Program
  • Risk Ratings
  • Due Diligence / Audits
  • Resources - People, Tools, $, ...
  • 4th Parties
  • Other?

Take-Away Goals

• Get up to date on current “reasonable practices”
• Learn privacy, data protection, security, and compliance requirements regarding 4th parties, and how to identify the 4th parties that your vendors use
• Hear effective strategies for getting cooperation and compliance from your 3rd parties regarding their vendors
Take-Away Goals

• Tips, tools, & tactics for managing 4th parties
• Address the difficult topics:
  ✓ What do I do if I don't like my vendor’s 4th parties?
  ✓ 4th party breaches
  ✓ Cross border transfer of my data from my vendor to a 4th party; audits, monitoring, assessments, certifications, data breaches, and
  ✓ A whole lot more

Focus Frameworks

• Regulatory Requirements
  • Healthcare
  • Financial Services
  • GDPR
• Customer Requirements
  • B2B
• Your Own Requirements
Goal Today

• Begin to Develop a Subcontractor / 4th Party Program
  That Is:
  ➢ Focused
  ➢ Effective
  ➢ Implementable
  ➢ Thoughtful, Respectful, & Sensitive
  ➢ Appropriate to Your Size & Risk
  ➢ Affordable
  ➢ Doesn’t “Boil the Ocean”

Key Tools for Meeting the Challenge

1. Your 3rd Party Vendor Risk Management Program
2. Your Contract with Your 3rd Party
3. Your Relationship with
   • Your Internal Business Owner
   • Internal Team
   • The 3rd Party
4. Charm!
5. Others?
Themes

• Having Something is Better Than Having Nothing
• Get Started Now
• Make Progress Everyday
• Document, Document, Document
• It’s a Team Effort
  ➢ Third Party Risk Management
  ➢ InfoSec, Physical Security
  ➢ Privacy
  ➢ Legal Contracts
  ➢ ...

Definitions - Healthcare

• Business Associate

  • (A) “person (with respect to a covered entity) who: ... other than in the capacity of a member of the workforce of such covered entity ... creates, receives, maintains, or transmits protected health information ... “or ...

  • (p)rovides, other than in the capacity of a member of the workforce of (a) covered entity, legal, actuarial, accounting, consulting, data aggregation ... management, administrative, accreditation, or financial services to or for such covered entity, ... where the provision of the service involves the disclosure of protected health information”
Definitions - Healthcare

• 3rd Party = Your Business Associate

• Subcontractor
  • A person or entity that “creates, receives, maintains, or transmits protected health information on behalf of (a) business associate.”
  • A Subcontractor is also a Business Associate & subject to all the requirements of a Business Associate

• 4th Party = Your Business Associate’s Subcontractor

Definitions – Financial Services

• OCC Bulletin 2017 – 7
  ➢ “Third-party relationship” is defined as any business arrangement between a bank and another entity, by contract or otherwise. Third-party relationships include activities that involve outsourced products and services, use of independent consultants, networking arrangements, merchant payment processing services, services provided by affiliates and subsidiaries, joint ventures, and other business arrangements in which the bank has an ongoing relationship or may have responsibility for the associated records. Third-party relationships generally do not include customer relationships.”
Definitions – Financial Services

• OCC Bulletin 2017 – 7
  ➢ “The term “subcontractor” refers to any entity with which the third-party service provider itself has chosen to enter into a third-party relationship. Another term for subcontractor is “fourth party.”

Definitions - GDPR

• GDPR
  ➢ “‘processor’ means a natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller”
  ➢ Subcontractor of a Processor is also a Processor
Why I Should Care What a 4th Party Does with My Personal Data, PII, & PHI?

• I Am Ultimately Responsible for My Data, PII, PHI & ePHI
• Breach Notification
• Confidentiality, Availability, & Integrity of Data
• My Reputation
• Costs to Me - $, Time, Regulators, ...
• Others?
Subcontractor / 4th Party Data Breach

• If Your 4th Party / Subcontractor Breaches Your Data, PII, PHI, or ePHI, Who Has the Problem?
  a) You
  b) Your 3rd Party / Business Associate / Processor
  c) Your 4th Party / Subcontractor
  d) a & b
  e) a & c
  f) b & c
  g) All of the above
  h) It depends

• Discussion Question
  ➢ What is the Nature / Implication / Consequences of the 4th Party / Subcontractor Breach?
Healthcare Requirements

• Business Associates (“BAs”) and Subcontractors are required to comply with appropriate HIPAA / HITECH Rules
  ➢ Security
  ➢ Privacy
  ➢ Breach
  ➢ Have a Business Associate Agreement (“BAA”) – OCR Template
    - https://www.hhs.gov/hipaa/for-professionals/compliance-enforcement/audit/batemplate/index.html
  ➢ Perform Risk Analysis

• Certain State Laws, Rules, & Regulations also apply

Healthcare Requirements

• Your requirements in regard to your BAs
  ➢ Included in “Risk Analysis”?  
  ➢ Have a BAA

• Your Requirements in regard to your Subcontractors
  ➢ Included in “Risk Analysis”?  

• Your BA’s Subcontractor Requirements
  ➢ Included in “Risk Analysis”?  
  ➢ Have a BAA between the BA and the Subcontractor  
  ➢ Flow your Business Associate Agreement requirements down to every Subcontractor
Financial Services Requirements

• OCC Bulletin 2017-7

➢ “Obtain and review ... (the) inventory or database of third-party relationships (and related subcontractors) that indicates risk ranking (e.g., low, high, or critical) of each third-party relationship”

➢ “Determine whether any third-party relationships involve the use of subcontractors.

  - Review the bank’s methodology for determining whether third parties use subcontractors.
  - Determine if the bank maintains a database or inventory that can distinguish all third parties that use subcontractors.”

Financial Services Requirements

• OCC Bulletin 2017-7

➢ “Determine if the bank has conducted adequate due diligence to verify whether third parties or their subcontractors have publicly known outstanding issues with regulatory entities or law enforcement agencies.”

➢ “Determine if the bank periodically reviews online activity, publicity, public reports, or social media for adverse events involving third parties and their subcontractors. If so, assess to what extent bank management incorporates this information into its ongoing monitoring.”
GDPR Requirements

• GDPR – [Link to GDPR requirements]

• GDPR Article 28 - Processor
  ➢ “2. The processor shall not engage another processor without prior specific or general written authorisation of the controller.
  ➢ In the case of general written authorisation, the processor shall inform the controller of any intended changes concerning the addition or replacement of other processors, thereby giving the controller the opportunity to object to such changes.”

GDPR Requirements

• GDPR Article 28 - Processor
  ➢ “4. Where a processor engages another processor for carrying out specific processing activities on behalf of the controller, the same data protection obligations as set out in the contract or other legal act between the controller and the processor ... shall be imposed on that other processor by way of a contract or other legal act under Union or Member State law, in particular providing sufficient guarantees to implement appropriate technical and organisational measures in such a manner that the processing will meet the requirements of this Regulation.”
Tool #1
3rd Party Risk Assessment Program

• Key Elements of a 3rd Party Risk Assessment & Management Program?
  ➢ Risk Assessment / Tiering
  ➢ Executive Management Support & Reporting
  ➢ Policies & Procedures
  ➢ Adequate Resources – People, Budget, Tools, ...
  ➢ Assessment / Reassessment – Questionnaire, Certifications (ISO 27001, AUP, SOC2, ...), Evidence, Artifacts, Data Maps, Data Inventory, Subcontractors, ...
  ➢ Auditing & Monitoring – On-site & Desk
  ➢ Exceptions & Remediation
  ➢ Others

Tool #2 – Contract with 3rd Party

• Consult / Coordinate with Legal Contracts
• If it is not in a contract, it is very difficult to have the other party do it
• GDPR is an opportunity to leverage changes
• Contract Resources
  ➢ GDPR Articles 28 & 29
  ➢ UK ICO GDPR Guidance
  ➢ OCC Bulletin 2013 - 29
Tool #2 – Contract with 3rd Party

• Resources to consider
  • Business Associate Agreement / UK ICO Guidance / OCC Bulletins
  • Other Agreements

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<th>Security Privacy</th>
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• Customer Requirements Regarding Subcontractors
• Flow Down Requirements

OCC Third Party Risk Bulletins

• Below are links to 2 OCC documents regarding 3rd and 4th Party Risk Management. The OCC is a major bank regulator & examiner
• These bulletins are relevant in that they address many issues that Healthcare / GDPR professionals also face in managing Business Associates, Processors & Subcontractors.
Elements to Consider in Contracts, Amendments, & 3rd Party Risk Management Program

- This list is suggestive, not exhaustive

- Staff
- Funding
- Cloud
- Security Rule
- Privacy Rule
- Omnibus Rule
- Denied Persons
- OCC BULLETIN 2017-7
- Termination
- Mission Creep
- SLA

- Transition Plan
- Changes
- Agent
- Shared Assessments
- Medicare Part D
- Assessment
- Reassessment
- Crown Jewels
- Data Minimization
- Minimum Necessary
- Monitoring

- Amendment
- Pricing
- Resources
- Translations
- Who Pays
- Record Keeping
- Insurance
- Liability
- Prior Approval
- Contract
- Return Of Data
## Elements to Consider in Contracts, Amendments, & 3rd Party Risk Management Program

- This list is suggestive, not exhaustive

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**Data Ownership**
- Permitted Uses
- Disclosure
- Encryption
- Background Checks
- Risk Rating
- InfoSec
- Physical Security
- Detection
- NIST
- PCI

**AUP**
- ISO27001
- SOC2
- HIPAA
- OCC Bulletin 2013-29
- Log Monitoring
- Asset Management
- Security Incidents
- Pen Test
- Hotline
- Confidentiality

**Availability**
- Integrity
- Resilience
- Data Map
- Data Inventory
- Disaster Recovery
- Business Continuity
- Certify
- Attestation
- Certifications
- Artifacts

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**Evidence**
- Training
- Laws
- Regulations
- Supplier Code
- Fifth Parties
- Flow Down
- Policies
- Vendor Program
- Offshore
- PHI

**PII**
- Trade Secrets
- ITAR
- M&A
- Access To
- Access Controls
- Records Retention
- Backup
- BAA
- Security Addendum
- Privacy Addendum

**Patching**
- Data Destruction
- Procedures
- Risk Ratings
- Risk Management
- Policies
- Periodic Reviews
- Software Escrow
- Data Escrow
- Audit Rights
- Breach
My 3rd Parties

• How Many 3rd Parties, Processors, & Business Associates Do I have?
  • If I am a Covered Entity, I might already know this number because OCR asked for it in its Audit Request
  • The OCR also requested Contact Names & Addresses
  • If you don’t already have this inventory, now’s a good time to start it
  • OCR Template Link
    ➢ https://www.hhs.gov/hipaa/for-professionals/compliance-enforcement/audit/batemplate/index.html

4th Parties

• Do I already Assess & Audit My 3rd Parties?
  ➢ What is the Cost, Effort, & Success?
• Should I
  ➢ Preapprove My 4th Parties / Subcontractors?
  ➢ Assess / Reassess My 4th Parties / Subcontractors?
  ➢ Monitor & Audit My 4th Parties / Subcontractors?
How Many 4th Parties Do I Have?

- Answer: \( B \times C = \text{Total Number of 4}^{\text{th}} \text{ Parties} \)

\[ \quad \times \quad = \quad \]

- If I have 10 3\text{rd} Parties and each 3rd Party has an average of 10 4\text{th} parties, I will have 100 4\text{th} Parties - (10 \times 10 = 100)

- If I have 100 3\text{rd} Parties and each 3\text{rd} Party has an average of 100 4\text{th} Parties, I will have 10,000 4\text{th} Parties - (100 \times 100 = 10,000)
Managing 4\textsuperscript{th} Parties – Daunting Numbers

• Use Your 3\textsuperscript{rd} Party Risk Tiering
  ➢ Focus on the High Risk 3\textsuperscript{rd} Parties
• Use Your 4\textsuperscript{th} Party’s Risk Tiering
  ➢ Focus on Their High Risk 3\textsuperscript{rd} Parties

4\textsuperscript{th} Party Challenges

• Preapprove / Reapprove 4\textsuperscript{th} Parties
  ➢ How Many Will You Have to Approve?
  ➢ What About the Legacy 4\textsuperscript{th} Parties?
  ➢ What Criteria Will You Use to Approve / Disapprove?
  ➢ What Will Your Turn Around Time Be?
  ➢ What if you Approve a 4\textsuperscript{th} Party & Something Goes Wrong?
  ➢ What if You Disapprove?
  ➢ Others?
The 4th Party’s Challenge

Some people recommend having the right to bypass the 3rd party and directly Assess and Audit the 4th party.

The 4th Party’s Challenge

- Often the 4th Party’s Customer has many Customers of its own. For example:
  - The 4th Party’s Customer is a Software As a Service (SaaS) Vendor
  - The SaaS provider has 4,000 customers.
- What If the Average 4th Party Has 100 Customers & Each Customer Has 100 Customers?
  - $100 \times 100 = 10,000$ Assessment & Audit Requests
Your 4th Party Challenge

• How reasonable is it for you to Directly Assess / Reassess & Audit your Subcontractors?
  ➢ Large Number of Subcontractors
  ➢ Large Effort & Cost
  ➢ No Direct Relation with Subcontractor – Confidentiality, etc.
  ➢ Subcontractor Push Back

• Your Key Building Blocks Are Already in Place
  ➢ Contract with BA / Processor / 3rd Party
  ➢ 3rd Party Risk Management Program

Building / Designing a 4th Party Program That’s Right for You

• 4th Party Worksheet

<table>
<thead>
<tr>
<th>Action</th>
<th>Effectiveness</th>
<th>Cost</th>
<th>Ease of Implementation</th>
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<tr>
<td>High</td>
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➢ Use it to define the building blocks that work for you
➢ In light of limited resources, the goal is to get all Greens
➢ Go for the “Low Hanging Fruit”
➢ Do a lot of “Actions” – and then pick the winners

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Building / Designing a 4<sup>th</sup> Party Program That’s Right for You

• Example #1 - 4<sup>th</sup> Party Worksheet

<table>
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<td>Assess Every 4th Party</td>
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Building / Designing a 4th Party Program That’s Right for You

• Example #2 - 4th Party Worksheet

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• My top “Building Blocks” – Yours might be different

1. Have Flow Downs to every 4th Party in the 3rd Party Contract
   ➢ Consider having a 4th and Downstream Parties section in the 3rd Party contract
   ➢ This is a “One and Done” activity. Draft them once. Include them in each 3rd Party Contract
   ➢ Make sure that you can have access to all the documents, evidence, artifacts, people, facilities, and the like that you will need to do a complete job
   ➢ Remember – If it is not in the contract, you most likely will not be able to do it
Building / Designing a 4\textsuperscript{th} Party Program That’s Right for You

Items to consider in the Flow Downs to every 4\textsuperscript{th} Party

- BAA
- Data Protection Agreement
- Security & Breach Notification Requirements
- Right for you to Assess / Reassess & Audit 4\textsuperscript{th} Party
- Process for Amendment
- Confidentiality, Availability, Integrity, & Return of Data
- Termination
- ...

Building / Designing a 4\textsuperscript{th} Party Program That’s Right for You

- My top “Building Blocks” – Yours might be different
  2. Get evidence in your 3\textsuperscript{rd} Party Risk Assessment that the 3\textsuperscript{rd} Party has a mature & robust 3\textsuperscript{rd} Party Risk Management Program that it uses on all of its 3\textsuperscript{rd} parties (your 4\textsuperscript{th} Parties)
    - This is a “One & Done” update to your assessment tool
Building / Designing a 4th Party Program That’s Right for You

Areas to consider in updating your 3rd Party Risk Assessment tool regarding your 3rd Party’s Risk Management Program that it uses on its 3rd parties (your 4th Parties)

➤ Policies & Procedures
➤ Resources – Staff, Budget, ...
➤ Risk Assessments
➤ Supplier Code of Conduct

Building / Designing a 4th Party Program That’s Right for You

Areas to consider in updating your 3rd Party Risk Assessment tool regarding your 3rd Party’s Risk Management Program that it uses on its 3rd parties (your 4th Parties)

➤ Control & Process Assessments and Reassessments – Questionnaires, Evidence, Artifacts, 3rd Party Assessments & Certifications, ...
➤ Monitoring
➤ Auditing
➤ Exceptions
➤ ...

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Building / Designing a 4\textsuperscript{th} Party Program That’s Right for You

• My top “Building Blocks” – Yours might be different

3. Auditing the 3\textsuperscript{rd} Party – either on site or a desk audit
   ➢ Assess the 3\textsuperscript{rd} Party’s 3\textsuperscript{rd} Party Risk Management Program
   ➢ Review 4\textsuperscript{th} Party Inventory / List
   ➢ Sample Contracts for Flow Downs
   ➢ Sample Assessments / Reassessments
   ➢ Review “Exceptions”
   ➢ Sample Their Audits of Their 3\textsuperscript{rd} Parties
   ➢ Evaluate Staff
   ➢ ...
4th Party Management – Short Course

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- You Want to Get It In Your Contract
- Review / Update / Revise Your 3rd Party Vendor Risk Program
  - Risk Ratings
  - Due Diligence / Audits
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  - Other?

Take-Away Goals

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- Hear effective strategies for getting cooperation and compliance from your third parties regarding their vendors
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• Tips, tools, and tactics for managing 4th parties
• Address the difficult topics:
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  • 4th party breaches
  • Cross border transfer of my data from my vendor to a 4th party; Audits, monitoring, assessments, certifications, data breaches, and
  • A whole lot more

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Thank You!

Questions & Discussion

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