VENDOR MANAGEMENT POLICY

Purpose

The Alliance of Rouge Communities (ARC) relies on products and services provided by a variety of vendors, including consultants and contractors. A current list of the ARC's vendors shall be maintained online at www.allianceofrougecommunities.com consistent with this Policy.

It is the duty of the Executive Director Staff to ensure:

1. Each vendor relationship supports the ARC's strategic plan and meets the requirements and policies of the ARC;
2. The ARC has sufficient expertise to oversee and manage the relationship;
3. The ARC has evaluated prospective providers based on the scope and criticality of the outsourced services;
4. The risks associated with the use of vendors for the ARC's critical operations are fully understood; and
5. An appropriate oversight program is in place to monitor each vendor's risk management controls, financial condition and contractual performance.

In recognition of the ARC's reliance on vendor supplied products and services and the need to manage the attendant risks, the Executive Director Staff has prepared and the Full ARC has adopted this Vendor Management Policy governing the acceptance, maintenance and ongoing monitoring of contractual relationships with vendors.

Rationale

The Alliance of Rouge Communities (the "ARC") acquires services from third-party suppliers, vendors, consultants and/or contractors (the "Vendor" or "Vendors") which involve risks similar to those that arise when these functions are performed internally by ARC staff. These include such risks as threats to the availability of systems used to support these transactions along with the accuracy, completeness, integrity, security, and privacy of protected information and compliance with applicable regulations.

Under contractual arrangements, risk management measures commonly used by the ARC to address these risks, are generally under the control of the vendor, rather than the ARC. However, the ARC continues to bear certain associated risks of financial loss, reputation damage, or other adverse consequences from actions of the vendor or the failure of the vendor to adequately manage risk. Consequently, it is incumbent upon the ARC to evaluate the ability of existing and prospective vendors to fulfill their contractual obligations and to prepare formal analyses of risks associated with obtaining services from, or outsourcing processing to, third parties.

Applicability

This policy shall apply to ARC services including day-to-day operations and grant-funded projects that require services from Vendors for whom the ARC has oversight.

Custodian

The Alliance of Rouge Communities Executive Director Staff shall be the custodian of the Vendor Management Policy with oversight by the ARC Treasurer.

Classifications of Vendor Criticality

During the vendor selection process, the Executive Director will assess the risks associated with vendor inadequacy (e.g. quality of goods and services, delivery schedules, warranty assurances, user support, etc.). Prior to determining the risk, the ARC will consider the criticality of the services and apply a ranking according to the criteria below.

- **Highly Critical (3) -** Services in this category include those considered "mission critical" to the ARC's operations. The ARC would not be able to operate at adequate capacity without the availability of such services or deliver minimally acceptable levels of customer service.
- **Important (2) -** Services in this category include those considered of importance to the ARC's operations.
- **Incidental (1) -** Services of vendors in this category include those considered incidental to the ARC's operations or for whom the ARC would have an acceptable alternate vendor readily available or an alternative means to process.

Risk Management

Risk management is the process of identifying, measuring, monitoring and managing risk. Risk exists whether the ARC performs work internally or outsources work.

Executive Director Staff, with oversight from the ARC Treasurer, will consider some or all of the following factors in evaluating the quantity of risk at the inception of an outsourcing decision. The degree to which these factors will be considered will depend on the criticality rating of the function provided by the vendor.

Risks pertaining to the function outsourced
- Sensitivity of data accessed, protected or controlled by the vendor
- Volume of transactions
- Criticality to the ARC's business

Risks pertaining to the vendor
- Strength of financial condition
- Turnover of management and employees
- Ability to maintain business continuity
- Ability to provide accurate, relevant, and timely information systems
- Experience with the function outsourced

- Reliance on subcontractors
- Location, especially if foreign based
- Redundancy and reliability of communication lines

Risks pertaining to the technology used by the vendor
- Architecture
- Location (processing and data storage)
- Dependence on third parties
- Reliability
- Security
- Scalability to accommodate future growth

Vendor Procurement

Vendor Procurement will follow the ARC's Purchasing Policy.

Contracts

When contracts are required between the ARC and a vendor, the contract will be developed in accordance with the ARC's Contract Approval Procedure and the ARC Purchasing Policy.

Vendor Contract Management
The Executive Director Staff will ensure vendors provide the goods and/or services in accordance with the vendor contract. Executive Director staff monitoring of contract performance will include but not be limited to review of the quantity and quality of goods and services, delivery schedules, warranty assurances and user support. The program shall monitor the vendor environment including its security controls, financial strength and the impact of any external events. The amount of review and documentation needed to support vendor contract management will vary depending on the criticality and complexity of the system, process or service being outsourced. The following documentation will be required from all vendors:

- Monthly invoices,
- Monthly financial reports,
- Project progress reports.

In addition, vendor monitoring may include periodic site visits as appropriate.

To increase monitoring effectiveness, the Executive Director Staff shall periodically, but at least annually, rank vendor relationships according to risk to determine which vendors require closer monitoring. Executive Director Staff, with oversight from the ARC Treasurer, shall base the rankings on the residual risk of the relationship after analyzing the quantity of risk relative to the controls over those risks. Relationships with higher risk ratings should receive more frequent and stringent monitoring for due diligence, performance (financial and or operational) and independent control validation reviews.