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# AuditCon

## A Higher Education Summit

September 24-28, 2023 Loews Miami Beach Hotel • Miami Beach, FL



# Third Party Risk Management

## Higher Education's Shield Against Third-Party Threats

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### What is Prompting Action in Higher Education?

An evolving and complex supply chain ecosystem introduces more risk as institutions continue to rely on third-parties at an increasing rate



#### RISE IN CYBERSECURITY THREATS

A significant number of third-party breaches are related to information security and data privacy. As bad actors become more sophisticated, stronger TPRM programs are necessary to combat these rising threats via third-party cyber assessments, product security, zero trust, identity management, and digital supply chain protections.



#### COST REDUCTIONS & RESPONSIBLE STEWARDSHIP

Students, faculty, alumni, and trustees are demanding increased transparency into Institutions' extended enterprise ecosystems and stakeholders are motivated to build a reputation for operating responsibly. Incidents have a direct impact to both the bottom and top lines financials and costs to react instead of defend are significantly higher.



#### RESPONSE TO THIRD PARTY INCIDENTS

Expanding third-party ecosystems translate to more complex and severe incidents that can erode community trust and have large financial and reputational impacts on Institutions. There is an increasing desire to develop capability and capacity to respond to third-party related incidents.



#### REGULATORY REQUIREMENTS & SCRUTINY

A rise in regulatory activity related to third-party risk management has put pressure on Institutions and has encouraged nimble Institutions to progress toward greater TPRM maturity. Those unable to keep pace with changing expectations may fall behind their peers on the maturity journey.



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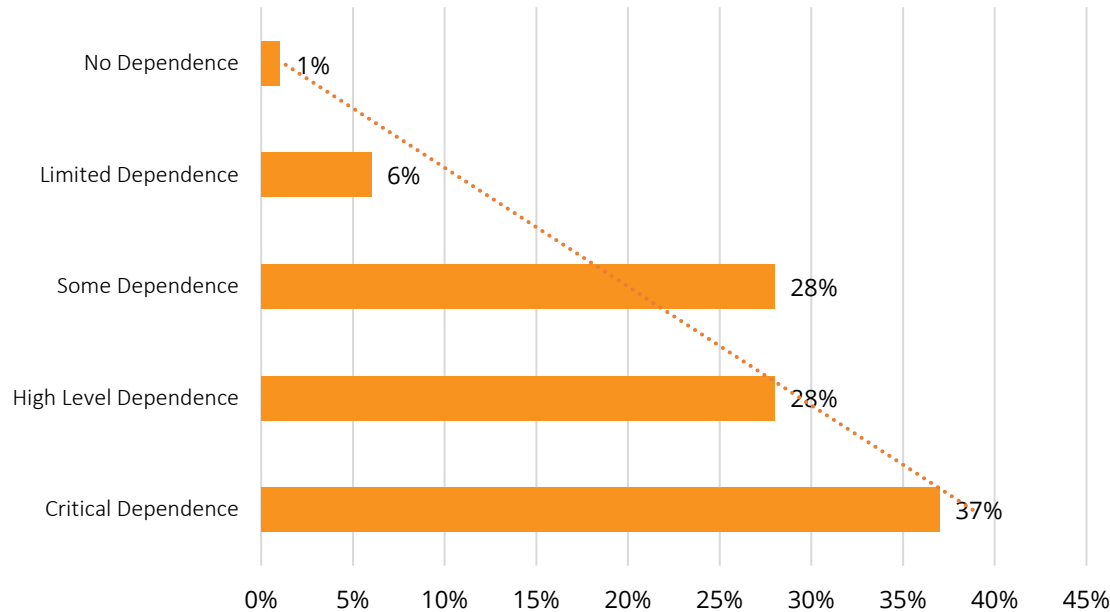
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### Institutions are Becoming Increasingly Dependent on Third Parties

Market forces are pushing Institutions to invest outside their own walls faster than they can establish strong TPRM oversight activities

Organizations' Dependency on Third-Parties (2022)



To regulators, stakeholders, trustees, students and faculty, the functions performed by third-parties are often indistinguishable from those performed by the core business. Hence, the actions of an organization's third-parties directly impact the organization both financially and reputationally.

#### Key Trends



Organizations don't focus on spending enough on **critically analyzing** these third parties



Third parties often contract out some of the processes subcontracted to them – creating subcontractors also known as **fourth, fifth, and sixth parties**



The expansion of subcontracting chains has led to a rise in **disruptive incidents** caused by organizations



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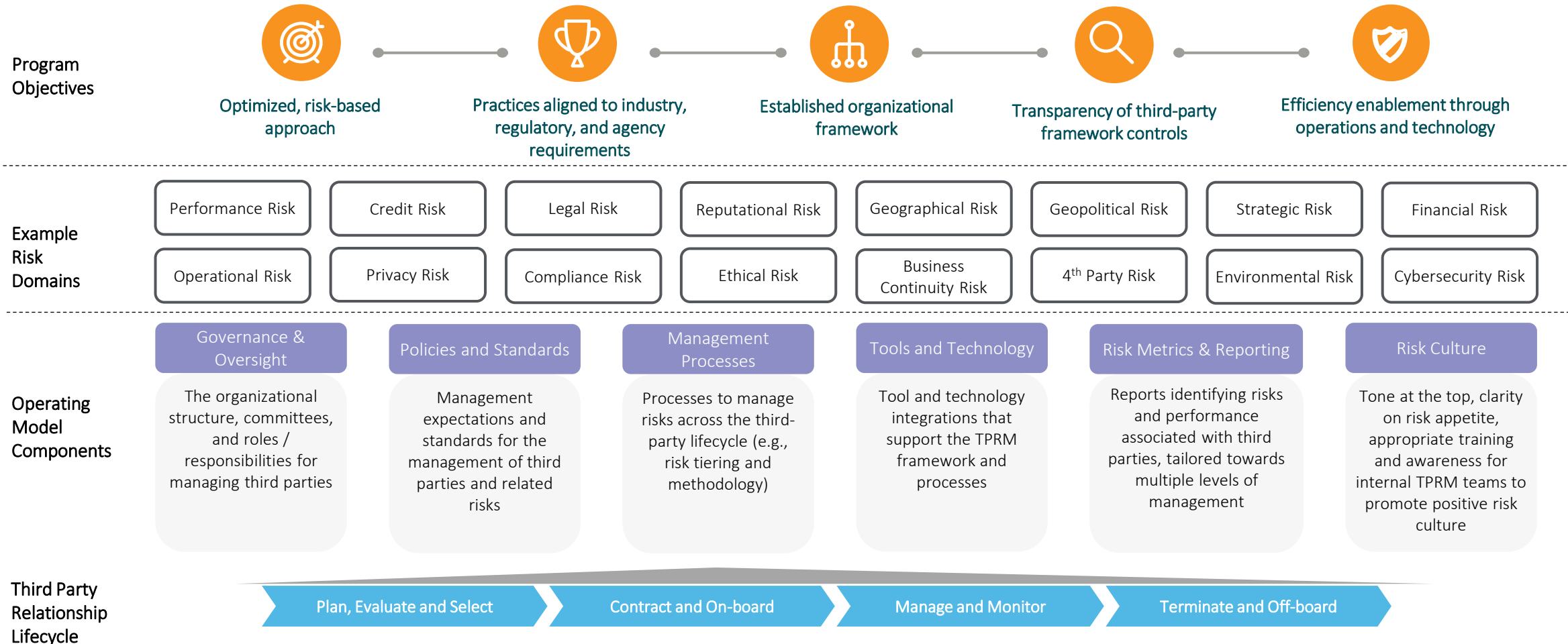
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### Third Party Risk Management Framework

A simplistic look at TPRM and what baseline structures look like





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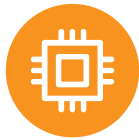
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## Foundational Third-Party Risks Span Multiple Domains

Identifying risks and potentially tying to risk functions is important for institutions to understand where to focus



### Cyber/Information Security

Exposures created from a third-party's use, storage, and/or communication of information in a manner that is not adequately protected from accidental or malicious alteration, destruction, and unauthorized access



### Resiliency

Failure to supply goods or services due to the inability to adequately manage a disruptive event, resulting in adverse impact, including operational disruptions natural disasters, pandemics, climate change implication, etc.



### Health and safety

Delivery of goods or services in a manner that contributes to a fatality and/or causes harm to employees, other contractors/third parties



### Anti-bribery and corruption

Exposure to a third-party engaging in unlawful business practices or criminal behavior, such as money laundering, bribery or fraud resulting in adverse impact



### Restricted Parties

Engagement with third-parties or countries to whom U.S. trade sanctions, embargoes, or other restrictions apply



### Compliance

Non-compliance with laws, regulations or ethical standards, including conflict of interest, resulting in censure from regulators, litigations, and/or adverse impacts



### Fourth parties

Exposures created by the third-party's reliance on other third parties to supply and/or provide services



### Reputation

General exposures to brand/reputation created by a third-party's actions, statements, and macro business dealings



### Financial viability

Exposure to a third-party becoming financially non-viable and therefore unable to deliver a stable service or product



### Conduct

Exposures related to general misconduct that occurs within an organizations, often seen as a circumstance of company culture, specifically related to sales and trading business practices



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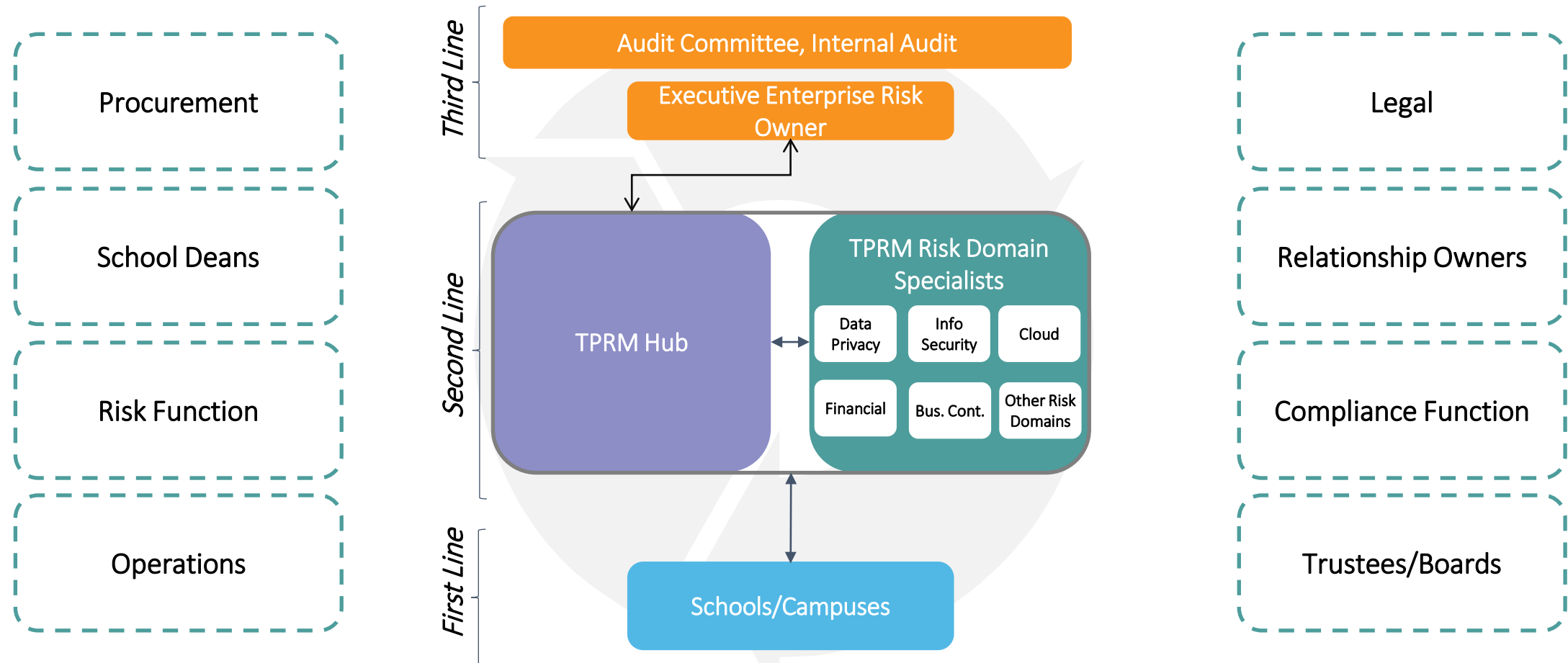
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### Successful TPRM is a Collective Effort

As Audit professionals, you should understand the roles various functions play in mitigating third-party risks





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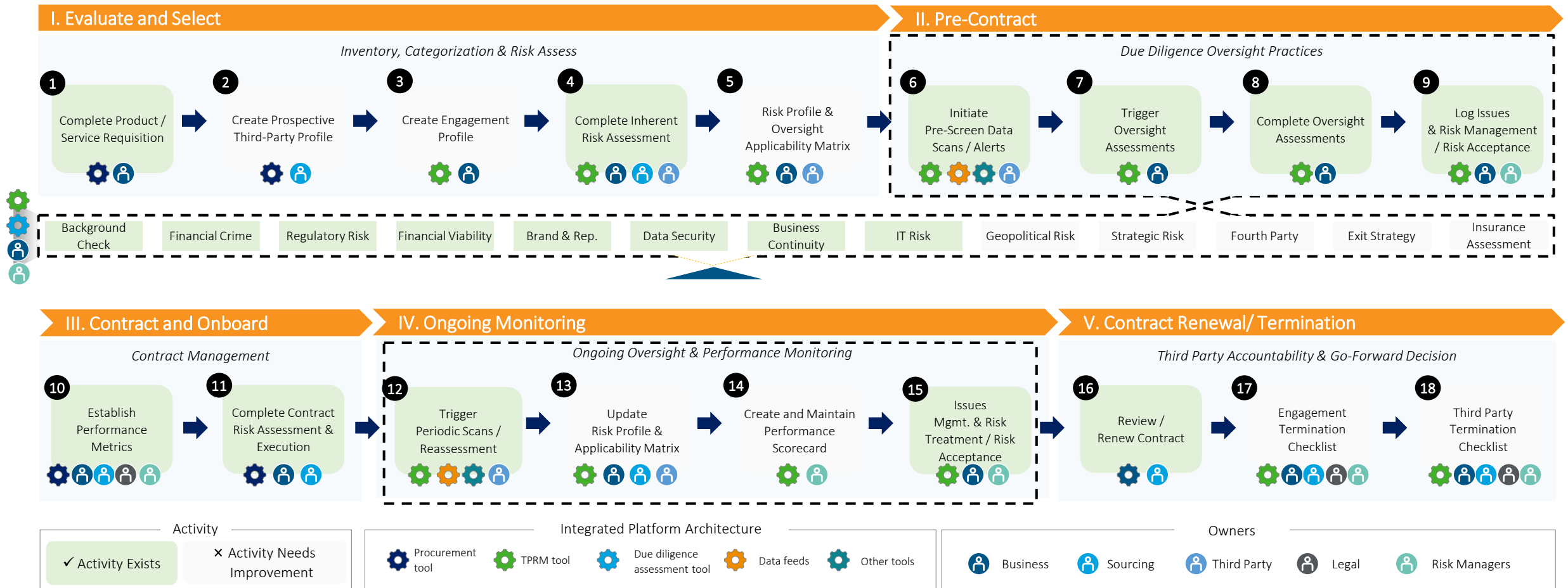
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### Where Can Audit Play a Role?

When you took at TPRM through the lens of the third-party lifecycle, audit can incorporate various activities to understand current institutional practices







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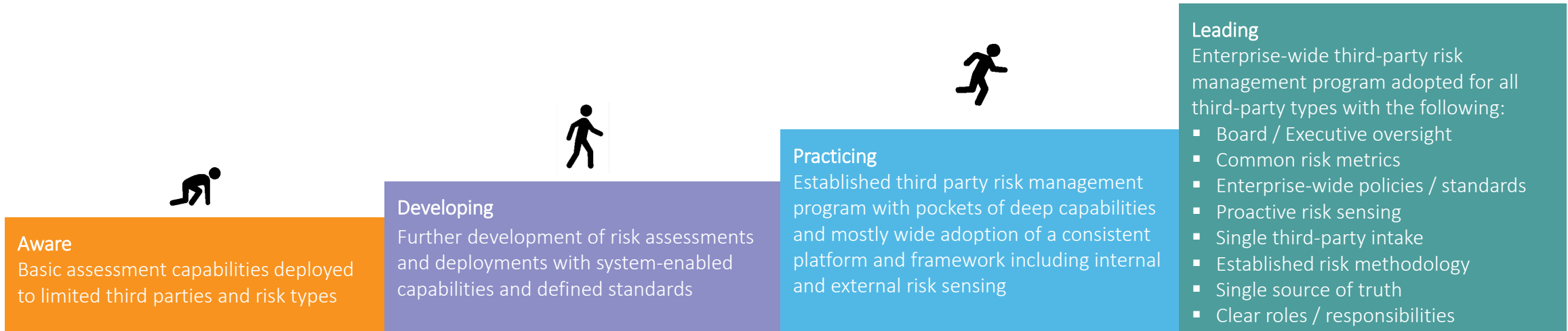
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### Where is your Institution Today?

Not all factors are created equal and “good” for one institution isn’t necessarily “good” for another



### SUCCESS FACTORS

- |   |  |   |   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>Started with an enterprise-wide design</li> <li>Identified enterprise critical suppliers to launch program with</li> <li>Focused on being outcome-driven rather than process-driven</li> </ul> | <ul style="list-style-type: none"> <li>Developed segmentation criteria with readily available and /or obtainable data</li> <li>Provided templates and pilots to bridge and de-risk transition</li> </ul> | <ul style="list-style-type: none"> <li>Built out capabilities in key risk areas (e.g., cyber and privacy)</li> <li>Developed a single intake process for all suppliers</li> <li>Breadth of third-party categories identified</li> </ul> | <ul style="list-style-type: none"> <li>Transitioned data collection/entry to lower cost delivery models</li> <li>Enabled risk sensing capabilities and syndicated risk data feeds for critical suppliers</li> </ul> |
|---|--|---|---|



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### What are some “Emerging” Activities?

As audit professionals, what should you be “on the lookout” for in terms of institutional maturity?



#### *Intelligent Monitoring & Orchestrated Response*

Continuously monitor third parties based on relationship characteristics for cross- domain Risks, Threats, and Events with proactive, targeted analysis and response.

Near real-time risk & threat monitoring

Targeted response & mitigation

Assessment automation & correlation

Predictive risk analytics

Illumination (Nth party identification)



#### *Zero Trust Access for Third Parties & Suppliers*

Apply Zero Trust principles to secure, control and monitor third party access, including physical, electronic, and system-to- system access, to reduce risk of breach.

Zero Trust Third Party Access

Third Party Behavioral Monitoring

Third Party Access Anomaly Detection

Temporal Third-Party Access

Stale/Excessive Access Monitoring



#### *Product & Software Supply Chain Security*

Ensure digital and physical assets have the proper supply chain controls in place to effectively mitigate cyber risks introduced by third party software providers.

Software validation (Provenance, BOMs)

Firmware scanning

Risk-based product security testing

Data validation

Asset level supply chain management