Business Process and Compliance Audits
2014 Business Process Compliance Audits (BPCA)

Safeguard has implemented BPCA’s to ensure:

• Ensure Vendors screen, train and have quality controls over employees and sub-contractors
• Strong vendor internal controls
• Compliance with Federal, State, and Local requirements
• Laws and regulations
• Client requirements
Goals

• Bring attention to the elements that will be the focal point of the audit.
• Educate vendors on how Safeguard measures compliance with our requirements and expectations.
• Support vendors in their endeavors to have effective operational controls and perform adequate screening, training, and quality assurance.
Sub-Contractors

- Vendors are responsible for controlling the work and activities of any sub-contractor they utilize
- Vendors personally attest to the work on EVERY order
- Screening and thorough training is a critical first step
- Maintaining constant oversight of work is a given, and cannot be deferred
Requirements Tested

• Background checks of all employees and subcontractors
• Confidentiality agreements for employees and subcontractors
• Lien waivers for subcontractors
• Insurance requirements for employees and subcontractors
Requirements Tested

• Licenses and permits (if required for type of service)
• Controls related to quality assurance of work orders
• General business controls related to work orders, such as:
  — Aging Orders
  — Duplicate photos
  — Damage Identification and Bid Submission
• Training of staff and subcontractors
Background Checks

• Safeguard requires background checks for vendors and any individual performing services to complete a work order. This includes:
  ― Vendor employees
  ― Subcontractors
  ― Subcontractor employees

• The owner is responsible for such compliance
Background Checks

• Must include:
  — Confirmation of eligibility to work in the U.S. (SSN verification)
  — Criminal background check
    o Based on reporting residences
    o Include county/state and national criminal check
      ▪ May also show municipal, depending upon state, charge, etc.
  — National sex offender check
  — OFAC or Patriot Act check
Background Checks

**Results**

- Results must be individually assessed
  - An individual is not permitted to complete work on an order from Safeguard if a felony has been committed in the last 10 years.
    - Conviction related to:
      - Violence or intimidation, including physical or sexual contact, force, battery, kidnapping, murder or torture
      - Sexual offense, including but not limited to rape and other felony sex crimes
    - Pled guilty
    - Entered no contest
Confidentiality Agreement

• Vendors are required to maintain confidentiality of information related to Safeguard clients, including:
  — Property information
  — Financial status of property holder (i.e. eviction proceedings)
  — Status of property itself (i.e. foreclosure, default, etc.)
  — Loan information
  — Pricing related information
  — Information regarding compensation received from Safeguard for work and services performed/assigned
Confidentiality Agreement

- Vendors are required to have any subcontractors, who are engaged to perform services on work orders, agree to be bound by similar requirements previously stated.
  - Vendors must have this in writing from each subcontractor
- Safeguard has an example of a form that could be used, but does not require the use of this exact form.
Insurance Requirements

- Effective December 11, 2011 Safeguard requires all vendors performing property preservation, REO, and inspections work must obtain required insurance coverage.
Insurance Requirements

• Vendors are to carry the below insurance types:
  — General liability and errors & omission (E&O) insurance in the amount of $1 million per occurrence through one of the below:
    o York-Jersey Underwriters, Inc.
    o Leonard Insurance Group
    o Brunswick Insurance Services
  — Auto insurance in the amount of $1 million combined single limit
  — Workers compensation
Licensing, Permits, and Certifications

• Vendors are local experts, and must obtain and maintain any and all licenses, permits and certifications that are required by industry and governing authorities to complete work assigned.

• Vendors knowledge of local requirements related to building codes, permits, and licenses in the zones in which they work is critical.
Quality Control

• Vendors are responsible for maintaining their own quality control (QC) process.
• A complete inspection of the property and repairs should be complete with a checklist to ensure that all necessary items are included and to document the state of the property when the vendor completed repairs.
• All initial service orders must be quality checked.
Training

• Vendors are strongly encouraged to have a formal training process in place to ensure vendors, employees and subcontractors provide and maintain quality services.

• Training should be documented/logged and will be reviewed by auditors. Training can be documented by:

  • Spreadsheets
  • Tracking logs
  • Agendas
  
  • Presentations
  • Sign in sheets
  • Other material
Training Examples

- New hire training
- Policy changes
- Work order training
- Safety equipment
Business Process

Key Examples

• Work order execution – receiving and scheduling work orders
• Safety – safety equipment provided for all employees and subcontractors
• Compliance – vendor verifies all permits are pulled when necessary and is current on laws, regulations and ordinances
Business Process

Key Examples

• Quality check – quality checks are performed on work completed by employees and subcontractors
• Training – new hire training
Audit Process Overview

• All service line vendors are subject to a business process compliance audit on an annual basis.
• You will be contacted by vendor management. At that time, details will be provided on who will be performing the audit.
  — A professional audit firm engaged by Safeguard
  — Safeguard’s field quality control (FQC)
Audit Process Overview

• The auditor will then contact you to arrange a time and location for the audit.
• You will receive a formal request listing from vendor management.
• Participation in the audit process is mandatory.
• The business requirements reviewed today will be the focal point of the BPCA audits.