

REPORT ON
**VENDOR DUE DILIGENCE
ASSESSMENT**

PRESENTED TO
Trustees of the
Warehouse Employees Union Local No. 730 Health
& Welfare Trust Funds

November 20, 2023

Submitted by:
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To the Trustees of the Warehouse Employees Union Local No. 730 Health & Welfare Trust Funds

Dear Trustees:

PKF O'Connor Davies Advisory, LLC has completed the performance of Vendor Due Diligence on behalf of the Warehouse Employees Union Local No. 730 Health & Welfare Trust Funds ("the Funds"). The objective of the study was to review the alignment of the utilized Vendors' cybersecurity programs with the cybersecurity guidance issued by the Department of Labor.

Any procedures that were performed by us in connection with this assignment did not constitute an audit and were not designed to provide, and we will not express, any assurance on internal control.

Our findings are summarized within this report.

This report is intended solely for the information and use of the Funds.

We wish to thank you and your staff for the courtesy and cooperation extended to us.

Very truly yours,

PKF O'Connor Davies Advisory, LLC

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Vendor Due Diligence Assessment

RISK RANKING DEFINITION

Based on the responses provided, the below rating system was applied to the Vendors in relation to their Cybersecurity Maturity level.

1. **No Response or Response Refused** – The Vendor has not provided any information for the assessment, stopped responding for follow-up information, or never responded to the initial requests.
2. **Low Maturity** – The Vendor has not implemented many of the minimum-security controls specified by the Department of Labor.
3. **Moderate Maturity** – The Vendor meets the majority of the security controls specified by the Department of Labor.
4. **Moderate-High Maturity** – The Vendor meets almost all of the security controls specified by the Department of Labor with minor deviations.
5. **High Maturity** – The Vendor meets all the security requirements specified by the Department of Labor.

CYBERSECURITY ASSESSMENT RISK BREAKDOWN

During this assessment, we reviewed specific security controls for each vendor in accordance with the controls specified by the Department of Labor. The individual control areas assessed were:

- **A Well Documented Cybersecurity Program** – The Vendor should have a formalized and well-documented Information Security Program.
- **Annual Risk Assessments** – The Vendor performs an annual risk assessment to assist in determining any security gaps within the multiple areas within their Organization.
- **Reliable Third-Party Audit of Controls** – The Vendor performs Vulnerability scanning, Penetration Testing, or any other type of Security Testing by a reliable Outsourced company.
- **Clearly Defined Information Security Roles and Responsibilities** – The Vendor has specified employees which are placed in charge of handling Cybersecurity for their Organization and those employees understand their job responsibilities.
- **Strong Access Control Procedures** – The Vendor has implemented Two Factor authentication for any remote access into their environment and has implemented the principle of least privilege.

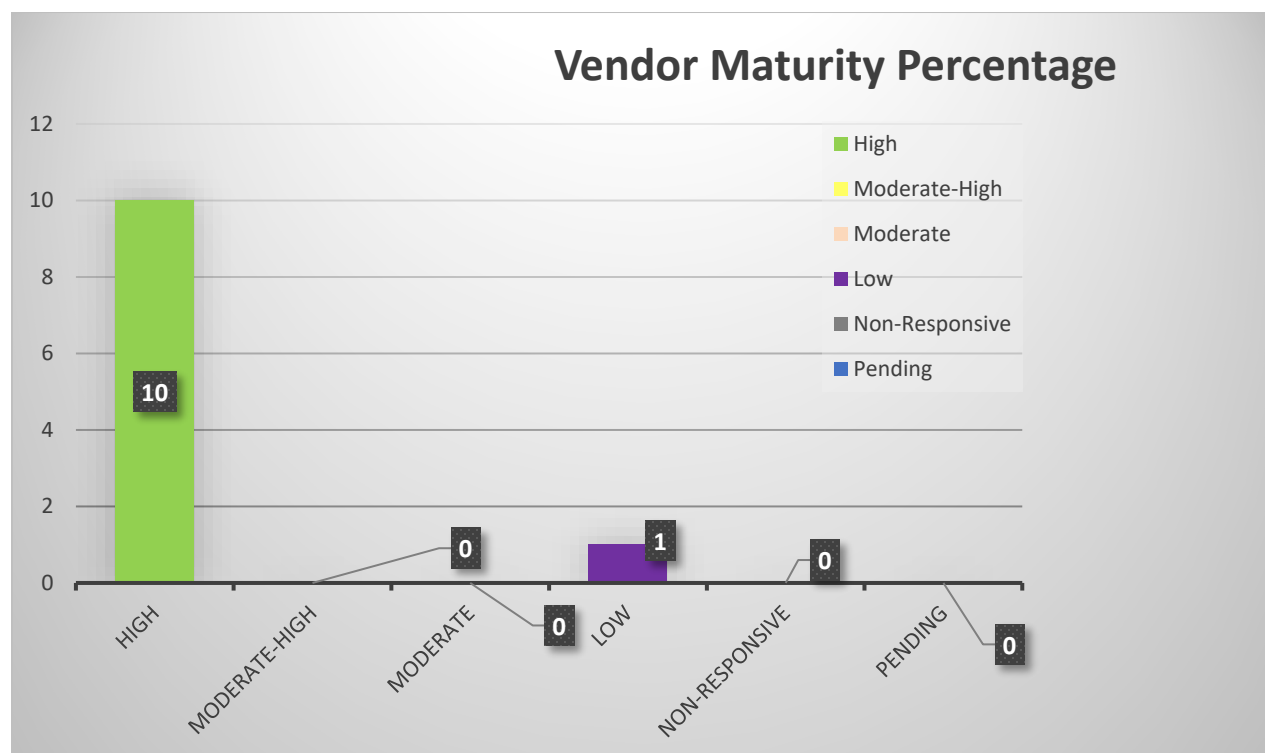
- **Vendor Due Diligence**– The Vendor is utilizing a third-party cloud service provider and is performing their vendor due diligence by annually reviewing their security controls by asking for an SOC 2 type II report or sending out a questionnaire verifying they are following security best practices.
- **Annual Cybersecurity Awareness Training** – The Vendor is enforcing annual Cybersecurity Awareness training for all employees. The training includes anything new on the annual Risk Assessment report and a periodic Phishing test.
- **A Software Development Lifecycle** – The Vendor has a Software Development Lifecycle for their custom developed Software, or they do not have one because they do not custom develop software. In which case, this requirement cannot be applicable.
- **Disaster Recovery and Business Continuity Plans** – The Vendor has formalized Disaster Recovery and Business Continuity Plans in the event of a disaster event.
- **Encryption of Sensitive Data at Rest and in Transit** – The Vendor is properly encrypting all sensitive data stored on systems and being sent over a network connection.
- **Security Best Practices and Technical Controls** – The Vendor is implementing security configuration best practices (Password controls, proper access controls, etc.) and proper security appliances (firewalls with IDS/PS, web content filter, Antivirus/EDR, etc.).

EXECUTIVE SUMMARY

In total, we reviewed **11** Vendors. Each vendor was given a qualitative risk ranking of High, Moderate-High, Moderate, Low or Non-Responsive. Of the **11** vendors, the number of risks for each risk ranking is as follows:

Maturity Level	Total
High	10
Moderate-High	0
Moderate	0
Low	1
Non-Responsive	0
Pending	0

The chart below represents the total maturity percentage of the vendors assessed.



Based on the chart above, the majority of the Organization's vendors are at a High level of Cybersecurity Maturity. Any Vendor ranked Low, the Organization should follow up with the Vendor and request they enhance their cybersecurity program.

HIGH RISK VENDORS

Below is a table to assist the Funds in identifying a vendor who did not respond or has a Low Level of Cyber Maturity and could be considered a Risk to the Funds.

High Risk Vendors	
Severity Rating	Vendor
Low Maturity	Dental Health Center – Vendor was missing the majority of controls required. The Vendor did not appear to have a full understanding of their cybersecurity risks.

For the Vendor ranked Low Maturity, the Vendor is a small operation consisting of a single owner and two employees. While small, the Vendor stores, processes, and transmits large amounts of sensitive member data. While it would be difficult for the Vendor to meet all the requirements set forth by the DOL, key controls should still be expected. Based on our discussion, we believe the following deviations should be corrected:

1. The Windows 7 Machine must be updated to a supported version of the operating system if it will store, process, or transmit Funds data.
2. Access to the e-mail system used to receive communications from the Funds, inclusive of sensitive data, must be protected with Multi-Factor Authentication.
3. The method used to obtain remote access to DHC's internal computer when outside of the office, must be protected with Multi-Factor Authentication.
4. A secure (i.e., encrypted) method of transmitting Funds data to the accountant, or any other third party used by DHC, must be implemented.
5. The custom developed application used to administer the program (paradox/canvas), must be programmed to require a password to obtain access. Passwords must be 8+ characters in length and complex.
6. DHC must perform due diligence on any third party used by DHC to store, process, or transmit Funds data. Specifically, the accountant must undergo a security assessment as well by a qualified third party.
7. Security awareness training must be received by any employee that will have access to or pose a risk to Funds data.
8. A secure offsite backup methodology must be implemented that is ransomware resilient.
9. Hard drives of the office machines and, any other machine that will store Funds data, must be encrypted.
10. An annual security review to validate security controls continue to operate as designed should be implemented.
11. Cyber insurance should be procured.

Once the Vendor has performed the above, validation of the fixes should be performed by an independent and qualified third party.

ONGOING APPROACH

The initial year review as designed was sufficient to establish a baseline of maturity and risk across the Vendors in relation to the DOL Cybersecurity Guidance. The limitations of strictly going by the DOL Guidance, as we have learned, is that it has a tendency to be broad and the vendor responses reflected that. We believe this methodology is only effective for year one to establish the general baseline and also make the Vendors accustomed to the process and expectations. For many of the Vendors, it took a lot of back and forth to make them understand a generic and limited answer was not going to be sufficient for us and the expectations were higher than they perceived. We recognize the Funds may not want to do this every year, as such, the following proposed approach for subsequent years is as follows:

- Each Vendor is formally risk assessed to determine the risk of the Vendor to the Funds. The risk assessment should factor in the overall results of this assessment, their size, and maturity. Any Vendor identified as having Low or Moderate maturity based on this assessment will automatically be considered a High risk vendor and be reassessed in the subsequent year to identify remediation progress. Vendors with Low or Moderate maturity will be reassessed annually until their ranking changes to Moderate-High or High.
- Any Vendor identified as a Moderate-High or High maturity must be reassessed at a frequency of every-other year or once every three years.
- Any Vendor that experiences a breach that materially impacts the Funds, and their members will be deemed a High risk vendor for a period of three years and will be re-assessed annually during that period.
- A detailed questionnaire should be created that lists very specific controls that should be implemented. Controls will be weighted based on criticality. Such a method will allow us to generate a quantitative scoring process for the Vendors. In addition, it will help advise Vendors of controls that we believe are critical and need to be implemented if not. We will provide a suggested form to use going forward for any new Vendor and subsequent assessments.

The above is a risk-based approach to the Vendors. Should the Funds desire a full review every year or have a different proposed method, we will accommodate accordingly, should we continue to assist the Funds.

VENDOR MATURITY SUMMARY

Vendor	Maturity Level	Security Controls – Not Implemented/No Response, Hardly, Mostly, Partially, or Fully Implemented	Number of Cybersecurity Practice Deficiencies Discovered
Associated Administrators, LLC	High	Fully Implemented	0
Cigna	High	Fully Implemented	0
Dental Health Centers	Low	Key Controls Missing	10
Group Vision Services	High	Fully Implemented	0
Investment Performance Services	High	Fully Implemented	0
MetLife	High	Fully Implemented	0
Morgan Lewis	High	Fully Implemented	0
Novak Francella	High	Fully Implemented	0
NFP	High	Fully Implemented	0
PNC Bank	High	Fully Implemented	0
Segal	High	Fully Implemented	0