

# Does your vendor value your data as much as you do?

EY Vendor Data Due Diligence

## Real-world third-party data misuse examples:

- ▶ A social media company revealed that a third party violated the terms of service and used its customer data to influence political elections through targeted advertisements. Raw data of more than 80 million profiles was improperly accessed and used.
- ▶ A company sold the personal information of financially distressed payday loan applicants to third parties, one of which used that data to withdraw millions of dollars from consumers' accounts without their authorization.
- ▶ A team of college professors and students found 43 confirmed cases of misuse across 817 of the top-ranked apps.



**The better the question.  
The better the answer.  
The better the world works.**

## Transparency and trust – the key to securing customer data

Recent news headlines have highlighted instances where prominent global companies fell victim to third-party misuse of their customer data outside the scope of intended purposes. The financial and reputational impact was damaging. The issue has caught the attention of regulators and consumers alike regarding the rights, privileges and associated responsibilities for the protection of customer data. To safeguard the integrity of their customer data, companies need to have well-defined contractual requirements governing the use of data by third parties. They also need to gain transparency into how third parties access, use and store data, as well as their internal control measures, to minimize the risks of data breach and noncompliance.

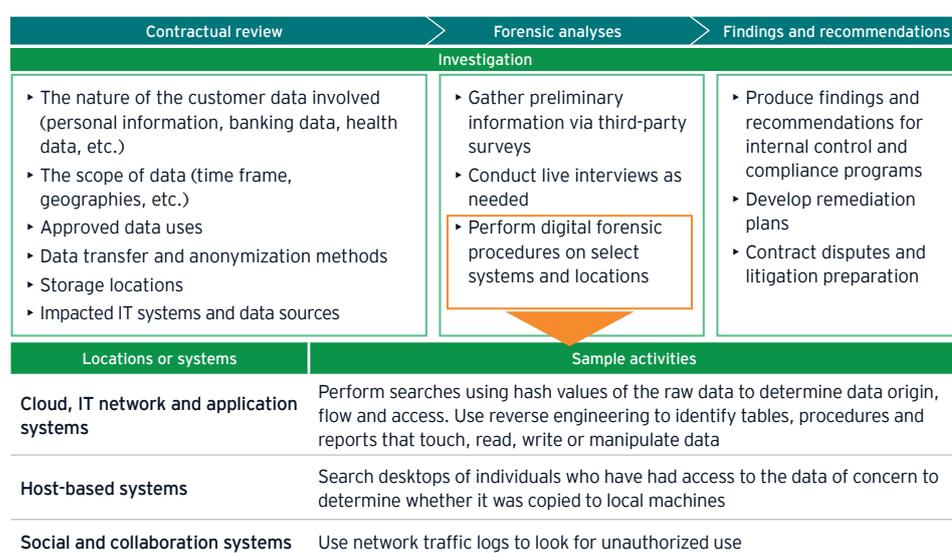
## Data privacy regulations worldwide

- ▶ **General Data Protection Regulation (GDPR):** The GDPR grants data subjects several core rights to access and control their data. To meet its requirements, organizations need to map the personal data of EU data subjects that they process, and ensure that it is processed appropriately and adequately protected.
- ▶ **New York State Department of Financial Services (NYDFS) cybersecurity regulations:** NYDFS addresses data protection concerns in similar terms as the GDPR but also further expands on the definition of nonpublic information to all information, even if not personally identifiable or financial information, that "could cause a material adverse impact."
- ▶ **California Consumer Privacy Act (CCPA) of 2018:** The CCPA gives consumers the rights to request access to and delete their personal information that a business has stored. They also have the right to opt out of a business selling their information.
- ▶ **Asia-Pacific regulations:** The region has seen major developments in the implementation and enforcement of privacy and data security laws. To name a few: Australia's Privacy Act, Japan's Personal Information Protection Act and China's Cyber Security Law.

## How EY can help

At EY, we begin the initial assessment of third-party data use with insights gathered from third-party due diligence programs and other vendor risk management programs. To investigate areas of potential risk, we perform contractual reviews, fact-finding interviews, digital forensics, forensic data analytics and other analyses to identify various scenarios of data misuse. Our investigations and inquiries focus on a wide range of potential triggers, such as data removal, data transmission, encryption, audit and fourth-party use of data. The inventory of risk triggers is usually determined based on output from third-party due diligence programs and contractual reviews, in collaboration with information gathered from working sessions with relevant stakeholders.

We also help organizations prepare impact analysis and develop remediation plans based on findings from investigations and forensic analyses. Finally, these reports and analyses drive factual evidence that may be used to prepare for any resulting contract disputes, potential litigations or regulatory inquiries.



## EY in action

### Risk review of data analytics and data anonymization

As part of its third-party due diligence program, a global financial services company discovered potential noncompliance in how its vendors perform analytics using customer data and anonymize data in cross-border data transfer. The company engaged our team of investigators, compliance professionals, data scientists, data analytics professionals and forensics technologists to perform data integrity analysis in the identified risk areas. The scope of the project includes vendor surveys, in-person interviews, computer and network forensics, and review of machine-learning model construction and anonymization methods. The project is expected not only to identify customer data misuse but also to provide incremental control recommendations to reduce the risk of noncompliance.

### Internal control assessment

A global life sciences company engaged our team to assess a third party's internal controls that are designed to govern compliance with contractual requirements related to the use of its customer data. Working with client stakeholders, our team conducted business process walk-throughs, interviews, documentation review and system access analysis to investigate potential breaches. Ultimately, the team produced findings of the contractual exceptions and provided remediation suggestions that enabled the company to avoid major breaches to its customer data.

## Why EY?

- ▶ **Global reach:** Our team is built upon a global network of resources who possess deep experience in forensic investigations and third-party assessments.
- ▶ **Cost-effective approach:** By leveraging existing third-party programs and other vendor risk management programs, we save time and cost.
- ▶ **Forensic approach:** We use cutting-edge technologies to bring precision and efficiency to investigations.
- ▶ **Commitment to quality:** Regardless the location of our engagement team, we follow a globally consistent methodology to deliver high-quality work products.

EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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### About EY Forensic & Integrity Services

Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to succeed. Better management of fraud risk and compliance exposure is a critical business priority – no matter the size or industry sector. With approximately 4,500 forensic professionals around the world, we will assemble the right multidisciplinary and culturally aligned team to work with you and your legal advisors. We work to give you the benefit of our broad sector experience, our deep subject-matter knowledge and the latest insights from our work worldwide.

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