

R. McCONNELL GROUP PLLC

A BOARD GUIDE

Third-Party Due Diligence



Risk-based screening and oversight across the supplier lifecycle

Identifying, assessing, and monitoring third-party risk through tiered diligence, screening, contracting, and ongoing oversight across the relationship lifecycle

Why Third-Party Diligence Matters

The company is judged by the company it keeps

Liability flows through

The organization remains accountable for third-party conduct even when intermediaries act for it

Risk varies by relationship

Tiered diligence concentrates effort where corruption, sanctions, and reputational exposure are highest

Government touchpoints

Intermediaries dealing with officials create heightened bribery and improper-payment risk

Oversight is structural

Three lines of defense give committees and the board systematic oversight

ACCOUNTABILITY

The organization is ultimately responsible for managing every third-party relationship throughout its lifecycle

Six Stages, Not a One-Time Gate

Diligence is continuous—from sourcing to exit

01

Sourcing & planning

Engage, assess, and select potential providers before any commitment

02

Assessment & diligence

Identify and mitigate reputational, capability, and corruption risks before approval

03

Risk classification

Set the diligence depth based on the relationship's risk profile

04

Contracting

Embed clauses on performance, audit rights, termination, and information access

05

Ongoing monitoring

Track performance and risk profile; manage remediation as needed

06

Expiration & exit

Plan off-boarding, contingency, and termination decisions

Four Tiers of Screening

Scope scales from a baseline check to enhanced investigation

Baseline	Proof of establishment and limited restricted-party screening of the entity
Limited reputational	Snapshot media, internet, and public-records research in local language
Reputational	Litigation, regulatory, and adverse-media research across public records
Enhanced	Discreet source inquiries, political-exposure mapping, and in-country retrieval
Intake & questionnaire	Requestor completes intake; the third party completes the questionnaire
Approval or rejection	Compliance evaluates, resolves concerns, and issues a written decision

What Diligence Surfaces

Signals to escalate before onboarding

Sanctions or enforcement proceedings

Litigation or adverse media

Political exposure / government ties

Restricted or watch-list matches

Undisclosed conflicts of interest

Government-official status

Evasive questionnaire answers

Requests to bypass diligence

Unusual payment or ownership structures

ESCALATE

Unresolved red flags must be escalated and cleared before any engagement proceeds

Definitions

01

Third party

Any intermediary, partner, supplier, consultant, or contractor acting for the organization

02

Enhanced due diligence

Deeper investigation reserved for higher-risk relationships and elevated corruption exposure

03

Business owner

The individual accountable for managing a third-party relationship across its lifecycle

04

Ongoing monitoring

Continuous review of a third party's performance and evolving risk profile

Questions the Board Should Ask

A few questions test whether third-party risk is controlled

1

Are diligence tiers calibrated to real risk?

Effort should concentrate where corruption and sanctions exposure is greatest

2

Who owns each relationship and its monitoring?

Accountability must be clearly assigned across the lifecycle

3

How are red flags resolved before onboarding?

Controls should block engagement until concerns are cleared

4

Do contracts include audit rights and termination?

Enforceable remedies must exist for third-party misconduct

Firm Lawyers

Matthew Boyden

is a trial lawyer and former federal prosecutor with more than thirty-five years of experience. He represents companies and executives in high-stakes criminal, civil, regulatory, and governance matters, and is regularly engaged where litigation risk, regulatory scrutiny, and institutional exposure intersect. His practice includes federal criminal defense, complex civil litigation, internal investigations, and board-level advisory work, including securities, sanctions and trade controls, anti-corruption, and anti-money laundering.

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Ryan McConnell

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