

Paycheck Protection Program: Staying Out of the Headlines

Staying Out of the Headlines: Top 5 Risks to Avoid



Lack of Due Diligence

Failure to follow up with applicant to clarify/ substantiate calculation inaccuracies

CNBC

POLITICS

Texas man charged with allegedly seeking more than \$5 million in SBA coronavirus loans by submitting 400 fake employee names

Double Dipping

Insufficient control environment to prevent applicants submitting multiple applications

■ Forbes

Feds Announce First **Arrests In Country** Linked To PPP Loan Fraud

Favoring of Large Borrowers

Unfairly prioritizing funding based on the applicant's loan size request

con BUSINESS





New York (CNN Business) - Four of America's biggest banks have been accused of harming thousands of coronavirus-hit small businesses by unfairly prioritizing emergency loan requests from large customers to earn fatter fees.

Discriminatory Lending

Overlooked due diligence practices in taking on influx of new applicants

©CBS NEWS

Up to 90% of minority and women owners shut out of Paycheck Protection Program, experts fear

Unsubstantiated Forgiveness

Inadequacy in documented evidence to support assumptions used in determining forgiveness amount

Advisors Confused by SBA's New PPP Loan **Forgiveness Rule**

Can You Answer These Critical PPP Questions?





ORIGINATION LOOKBACK

Has **proper documentation** been captured for all loans?

Were affiliation rules followed in determining eligibility?

Any **discrepancies** between borrower's PPP submission and prior credit applications?

Is there **evidence of the order** in which PPP loans were processed?

What procedure was followed in prioritizing applications?

UPCOMING LOAN FORGIVENESS



Has borrower forgiveness application been **completed correctly**?

Any **errors in calculations** used to arrive at requested forgiveness amount?

Do payroll **records match** forgiveness inputs? Are the covered **periods the same**?

Has **proper documentation** for mortgage interest, rent and utilities been received?

If FTE Safe Harbor has been utilized, is there **documentation to support it**?

CrossCountry's PPP Solution: FinServ + Process/ Automation Expertise



We combine consultants with experience in lending, credit, and risk with process automation capabilities in order to assist lenders in implementing an efficient, risk-mitigated process.



Origination Lookback

FOCUS

A review of PPP loans focused on operational, reputational and fraud risk.

APPROACH

- Leverage a comprehensive Risk & Control framework developed specifically for PPP
- Provide a set of findings
- Develop a remediation plan

IMPACT

- 1. Detect any hidden "land mines" which may have arisen during the frenzy of PPP processing
- 2. Prepare and equip for PPP audits from the SBA, CFPB, FDIC, the Fed and the Department of Justice
- 3. Avoid severe reputational risk

Forgiveness Automation



FOCUS

An automated, risk-based process for PPP loan forgiveness

APPROACH

- Protect lender from future audit findings with a risk-based process
- Automate low value-add process elements to allow scale
- Develop efficiencies for forgiveness that are easily converted to Portfolio Management "business as usual" processing

IMPACT

- 1. Process loan forgiveness requests with high accuracy and efficiency
- 2. Review large volume of applications to ensure regulatory compliance, detect fraud and verify controls
- 3. Emerge from PPP with evidence of controls followed, documentation received, and investigation-ready audit trail

PPP Risk Management & the CrossCountry Difference



Projects staffed with financial services-savvy team members with lending, credit and risk experience

Leverage UiPath partnership in order to hit the ground running with pre-built automated PPP solution components



RPA expertise to help you achieve up to 80% in processing time reduction

Expertise in addressing regulatory, internal, and customer queries in real time

Proactive portfolio management and risk monitoring; large scale of review and verification for compliance through RPA



Origination Lookback Approach



Analyzing Your PPP Risk & Control Framework

Our risk and control lookback focuses are on compliance, operational, fraud and reputational risk.

1	2	3	4	5	6
COMPLIANCE	FRAUD	ACCURACY	CREDIT	OPERATIONAL	REPUTATIONAL
Were standard risk practices such as BSA and AML followed?	Did fraudulent applications get through the process in the rush to process applications?	Was the requested loan amount verified against payroll evidence?	Did borrower attestations match existing information on file?	Were loans handled in the order that they were received?	Were PPP loans processed in a fair and timely manner?

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Replaneel	Delluerable	Revisional by	Review Start Date	Review End Cate	State	Review Results	Review Completed	Action lians
the Risk Assessment of the Instituation	AML and CEAC Risk Assessment	internal Audit	4/15/2017	5/25/2007			Tes	
and periodically updated at risk-based intervals to take into account harges to applicable BEA/AML laws, regulations and regulatory well as any other information determined by the institution to be in the institution's related programs and initiatives;	AMI and CRAC Risk Assessment methodology, policies, and procedures.	Internal Audit	4/15/2017	5/25/2007			Nes	
lymatch ISA/ARL risksto the institution's businesses, vices, and customers/counterparties;	AML and CFAC Risk Assessment	Internal Audit	4/15/2007	5/15/2007			Tes	
tection scenarios with threshold values and amounts designed to dial money bundering or other suspicious or lilegal activities;	Transaction Monitoring Program	John Smith	4/00/0017	6/3/2007			No	
pre-and posi-implementation testing of the Transaction Monitoring fluding, as nelevant, a neview of governance, data mapping, coling, detection assessio logic, model validation, data input and put;	Wodel Validation Report	no	180	TBD			No	
ion that articulates the helitution's current detection scenarios and ng assumptions, parameters, and thresholds;	Model Validation Report	rao	180	TBD			No	
ting forth how alerts generated by the Transaction Monitoring (be investigated, the process for deciding which alerts will result in a	Transaction Monitoring Program	laha Smith	4/20/2017	6/2/2007			No	

Lookhack	Assessment
LOOKDACK	Assessment

Sample Deliverables

Finding No	9 Bodd / Bysten Fielding Sewelty Resediation Flan NJA Change management process - spicing documentation spicing documentation change management process - spicing documentation change management process - change management process.		Remediation Plan	Remediation Milestones	Business Area Owner	Progress	
1			Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	On track		
2	Model 1	Model tuning - not all scenarios monitored on a periodic basis Lacking supporting documentation for thresholds.	3	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	On track
3	Model 1	Model tuning - not all scenarios monitored on a periodic basis. Lacking supporting documentation for thresholds.	3	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	in danger
4	System 2	Data quality - System 1 data discrepencies to system 2 Significant material changes	1	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	On track
5	System 2	Data quality - System 1 data discrepencies to system 2 Significant material changes	1	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	Definit sched
6	System 4	Data quality - System 1 data discrepencies to system 2 Significant material changes	1	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	In danger
7	System 5	Data quality - System 1 data discrepencies to system 2. Significant material changes	2	Phase 1 - Update policies and procedures Phase 2 - Conduct trainings on formal change management process	Phase 1: 5/1/2017 Phase 2: 7/5/2017	John Smith	On track

Remediation



Forgiveness Process & Automation Approach



Risk-Based & Automated Process for PPP Loan Forgiveness

We have a risk-based and automated approach for processing PPP loan forgiveness requests. Our approach can be deployed using our UiPath-based solution or with any existing automation tool.

1	1 2		4	5	6	
Application	Extract	Queue	Verification	Approval	Update Status	
A small business owner submits loan forgiveness request to the lender.	UiPath Document Understanding converts payroll reports and expense reports into data extract, performs data checks against initial application documents and calculates forgiveness amount.	Post extraction and verification, a case is created for the Bank Agent to pick up the forgiveness request for review.	A bank's Ops Agent can review the request using the UiPath Action Center and post approval as well as update the loan system.	A lender obtains detailed guidance from SBA (e.g., forgiven/ nonforgive, forgiven amount, etc.).	Close loans in the system where full loan amount is forgiven, update non-forgiven amount and set up amortization and payment schedule.	







About CrossCountry Consulting





CrossCountry Consulting is a trusted business advisory firm that provides customized finance, accounting, human capital management, risk, operations and technology consulting services to leading organizations facing complex change.

We partner with our clients to help them navigate pressing business challenges and achieve goals related to improving operations, minimizing risks and enabling future growth.



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BEST PLACES WORK 2020

EMPLOYEES' CHOICE



Quick Facts

Founded by Former Arthur Andersen Executives

Active Engagements Across the Country

Mostly from Big 4 and Large Consulting Firms