

Payment Integrity Scorecard

Program or Activity
Paycheck Protection Loan Program (PPP)

Reporting Period
Q4 2023

FY 2022 Overpayment Amount (\$M)*

*Estimate based a sampling time frame starting 10/2020 and ending 3/2022

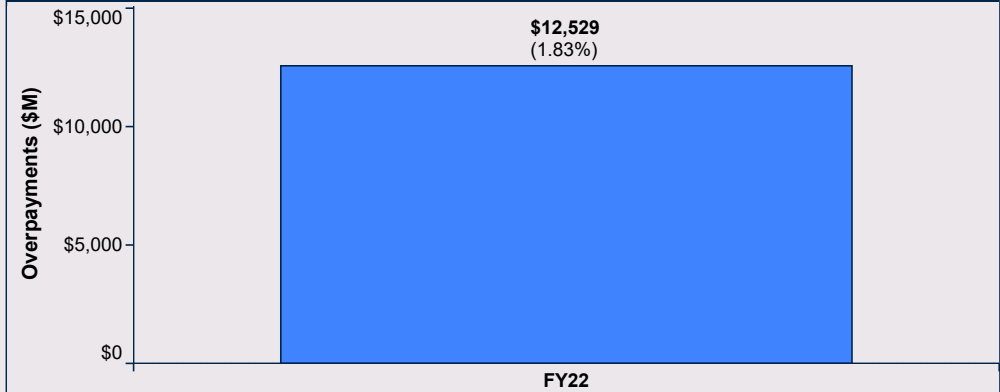
SBA

Paycheck Protection Loan Program (PPP)

Brief Program Description & summary of overpayment causes and barriers to prevention:

The CARES Act established Paycheck Protection Program (PPP) loans to provide economic relief to small businesses and help small businesses to keep their workers on payroll because of the COVID-19 pandemic. The PPP loans can be forgiven if the funds are used for payroll costs, interest on mortgages, rent, utilities, or other eligible expenses. If the loan is not forgiven, SBA may purchase (honor) all or part of the PPP loan guaranty. In FY 2022, the SBA reviewed PPP approvals only. In FY 2023, the PPP program was divided into 3 reporting categories – Approvals, Guaranty Purchases, and Forgiveness. The SBA was no longer issuing new PPP loans; there were no Approval to report on. Prevalent cause for IPs were eligibility of borrower or business

**Historical Payment Rate and Amount (\$M)
(Overpayment as Percentage of Total Outlays)**



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

SBA reviews PPP loan forgiveness requests as they are submitted to determine whether loan approvals and disbursements were proper or improper. The loan review process consists of automated screenings and manual reviews of selected loans to test for compliance with program requirements and evaluate the accuracy of borrowers' self-certifications and material representations. When a PPP forgiveness application is submitted, SBA reviews borrower eligibility, including whether the borrower had been debarred; whether the borrower had defaulted on federal debt within the last 7 years; whether the borrower had been convicted of a felony involving fraud, bribery, or embezzlement; whether the borrower was incarcerated; and whether the borrower was a U.S. citizen. SBA also reviews documentation to determine whether the borrower's business was in operation. Borrowers that were not eligible based on these eligibility criteria were denied forgiveness. SBA also reviews documentation submitted with forgiveness applications to determine whether the borrower had eligible expenses during the covered period, and, if so, in what amount. If a borrower had eligible expenses that did not equal the amount of the loan disbursed, that portion of the loan used for eligible expenses could be forgiven. Insufficient eligible expenses or expenses that were not eligible were not forgiven. SBA reviewed PPP loans' forgiveness to assess borrower eligibility and forgiveness amount.

Accomplishments in Reducing Overpayment

Date

| | Accomplishments in Reducing Overpayment | Date |
|---|---|--------|
| 1 | PPP ended on May 31, 2021. No loans were awarded after the program ended. SBA's continued work at reducing improper payments includes the review of forgiveness requests. For FY2022, the estimated rate of 1.83% improper payments and 2.41% unknown payments totaled 4.24%. | Jun-23 |

Payment Integrity Scorecard

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| Program or Activity Paycheck Protection Loan Program (PPP) | Reporting Period Q4 2023 |
|--|------------------------------------|

| Goals towards Reducing Overpayments | Status | ECD | Recovery Method | Brief Description of Plans to Recover Overpayments | Brief Description of Actions Taken to Recover Overpayments |
|---|----------|--------|-----------------------------------|--|--|
| 1 SBA's goal is to reduce the level of improper payments or, through the review process, prevent the occurrence of improper payments. SBA continues to review PPP forgiveness requests as they are submitted to determine whether loan approvals and disbursements were proper or improper. SBA's goal is also to resolve those PPP loan payments identified as Unknown Payments. SBA has actively pursued data gathering and review of those data to determine whether Unknown payments are proper or improper. | On-Track | Sep-23 | 1 Recovery Activity | When a PPP forgiveness request is submitted, SBA reviews eligibility of the borrower and along with documentation to determine whether the borrower had eligible expenses during the covered period. SBA will continue to review PPP to assess borrower eligibility and amount | In accordance with regulation, if a loan is partially forgiven, or forgiveness denied, the remaining balance on the loan must be repaid by the loan maturity date. If the borrower did not submit a forgiveness application by 5/12/22, the borrower must begin making payments. |

| Amt(\$) | Root Cause of Overpayment | Root Cause Description | Mitigation Strategy | Brief Description of Mitigation Strategy and Anticipated Impact |
|------------------|--|--|--|---|
| \$12,529M | Overpayments outside the agency control that occurred because of an Inability to Access the Data/Information Needed. | (1 of 2) The root cause reported for all PPP loan improper payments was Statutory Requirements of Program Were Not Met. The most prevalent causes were as follows: • The loan amount to a borrower exceeded the borrower's eligibility; • A lack of supporting documentation; and. | Audit - process for assuring an organization's objectives of operational effectiveness, efficiency, reliable financial reporting, and compliance with laws, regulations, and policies. | (1 of 2) SBA will continue its Recovery Activity of monitoring self-reported overpayments, statistical samples conducted under PIIA, and agency post-payment reviews. When performing PPP loan reviews, SBA reviews several items related to borrower eligibility;. |
| | | (2 of 2) • Ineligible business type. At approval, Lenders were permitted to rely on a borrower's certification. Lenders were not required to submit supporting documents to SBA. | Audit - process for assuring an organization's objectives of operational effectiveness, efficiency, reliable financial reporting, and compliance with laws, regulations, and policies. | (2 of 2) loan amount eligibility; use of proceeds; and, forgiveness amounts requested. SBA will continue its review of PPP loan forgiveness to determine borrower and loan amount eligibility. |

FY2022 was the first year that PPP loan improper payments were reported. SBA reported improper payment rates for PPP loan approvals. The PPP loans can be forgiven if the funds are used for payroll costs, interest on mortgages, rent, utilities, or other eligible expenses. If the loan is not forgiven, SBA may purchase (honor) all or part of the PPP loan guaranty. Lenders may request that SBA purchase the guaranty of a PPP loan in the event of a default or other qualifying event. In the upcoming fiscal year, SBA will report improper payment rates for PPP loan forgiveness and PPP loan guaranty purchase.