

Payment Integrity Scorecard

Program or Activity

Paycheck Protection Program (PPP) Loan Forgiveness

Reporting Period

Q1 2024

FY 2023 Overpayment Amount (\$M)*

\$874

*Estimate based a sampling time frame starting 4/2022 and ending 3/2023



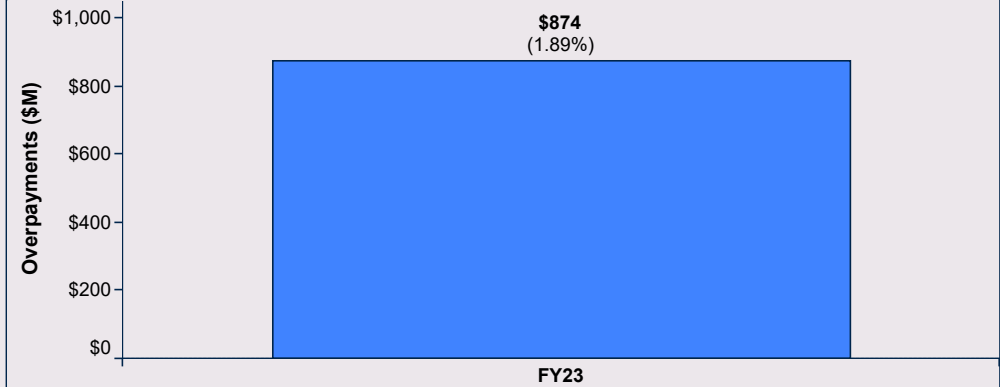
Small Business Administration

Paycheck Protection Program (PPP) Loan Forgiveness

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

The CARES Act established the Paycheck Protection Program loans to provide economic relief to small businesses. The PPP loans can be forgiven if the funds are used for payroll costs, interest on mortgages, rent, utilities, or other eligible expenses. A borrower can apply for forgiveness once all loan proceeds for which the borrower is requesting forgiveness have been used. Borrowers can apply for forgiveness any time up to the maturity date of the loan. The root cause for PPP Forgiveness improper payments was Failure to Access Data/Information. The most prevalent root cause for PPP Forgiveness Unknown payments was Unable to Determine Whether Proper or Improper. The most prevalent cause stemmed from missing verification of business ownership.

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

In the previous quarter, SBA took the following actions to prevent overpayments in PPP loan forgiveness. * PPP loans submitted for forgiveness are screened by the system to determine whether a "hold" code should be placed. Hold codes are placed for borrower bankruptcy, previously defaulted debt, criminal charge, duplicate loans, or other. * SBA performs up to 4 levels of review for PPP loans with hold codes submitted for forgiveness. *The first level of review includes determining legality and eligibility of the borrowing entity, loan calculations, how the funds were spent, and the completeness of the loan and forgiveness application. *The second level of review verifies and confirms the first review's recommendations. *If the first and second level review recommend full or partial denial of forgiveness, SBA performs a third level (higher level authority) review. This review looks at findings from the first two reviews, at loan calculations, and at how the funds were spent. *The fourth level review confirms the findings of the third level review and issues a letter of explanation of findings. * Loans previously identified as improper payments are marked with the appropriate "hold" code and added to the post payment review processing queue for an additional higher level authority manual review.

Accomplishments in Reducing Overpayment		Date
1	(1 of 2) The agency's primary goal for PPP loan forgiveness is to reduce the volume of Unknown payments. SBA requests documentation from lenders (lenders, in turn request documentation from borrowers) to resolve loans with unknown payments.	Dec-23
2	(2 of 2) and documentation is not received, the loan is placed in a post-payment queue for recovery of improperly paid funds.	Dec-23

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Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1 The agency's primary goal for PPP loan forgiveness is to reduce the volume of Unknown payments. SBA requests documentation from lenders (lenders, in turn request documentation from borrowers) to resolve loans with unknown payments.	On-Track	Sep-24	1 Recovery Activity	SBA notifies lender of deficiency and requests that the borrower either (1) send supporting documentation or (2) repay the loan.	SBA has notified affected lenders

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
\$874M	Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.	The most prevalent cause of PPP forgiveness improper payments stemmed from missing verification of business ownership.	Change Process – altering or updating a process or policy to prevent or correct error.	SBA performs up to 4 levels of review for PPP loans with hold codes submitted for forgiveness. Loans previously identified as improper payments are marked with the appropriate "hold" code and added to the post payment processing queue for an additional higher level review.

At the end of the fiscal year, lenders did not return sufficient supporting documentation for 193 of 382 loans. The inability to assess whether these loans were proper or improper required the SBA to categorize these loans as "Unknown" payments. The agency's primary goal for PPP loan forgiveness is to resolve the volume of Unknown payments. SBA requests documentation from lenders (lenders, in turn request documentation from borrowers) to resolve loans with unknown payments. SBA is currently working to resolve these Unknown payments and will report on the status in its Annual Financial Report.