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CONFIDENTIAL

March 11, 2021

The Honorable James E. Clyburn
Chairman
Select Subcommittee on the Coronavirus Crisis
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

The Honorable Steve Scalise
Ranking Member
Select Subcommittee on the Coronavirus Crisis
United States House of Representatives
Washington, D.C. 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Clyburn, Chairwoman Velázquez, and Members of the Committees:

I write on behalf of RER Solutions, Inc. ("RER") to provide information requested by Chairman Clyburn and Chairwoman Velázquez in your letter dated February 11, 2021.

RER has been communicating with the Committees since August 2020. Ms. Errin Green, Chairman and Chief Executive Officer of RER, provided a briefing to your staffs on August 13, 2020. During that briefing, Ms. Green made a presentation to bipartisan staff regarding RER's efforts to provide an effective solution that would enable the Small Business Administration to administer critical coronavirus crisis relief funding under the standards set by Congress in the Cares Act.

Before the briefing, RER produced a number of documents responsive to the Committees' requests. These included documents regarding Ms. Green's 8(a) certification, RER's past performance on government contracts, the contracting proposals and documentation relating to the original Small Business Administration ("SBA") Office of Disaster Assistance ("ODA") disaster relief contract, and relating to the COVID-19 disaster relief loan processing task order added to that ODA contract.

Since the briefing, RER provided supplementary information at the Committees' request in an October 2, 2020 letter. The October 2 letter provided information about the RER-Rocket Team's technical proposal for the ODA disaster relief funding, and the RER-Rocket team's work under the COVID-19 task order to the disaster relief contract in March 2020. RER also provided the most recent modification of the COVID-19 task order, and responded to the Committees' questions about that contract modification.

On November 25, 2020, RER provided additional information in response to specific requests from the Committees, focused on contract management and the project's fraud controls. RER also produced its current invoices to the SBA, as well as information about the program's fraud controls.

On February 11, 2021, RER received additional requests for information and documents from the Committees. Since that time, on March 3, 2021, the RER-Rapid-Rocket technical team met with Committee staffs to provide a demonstration of the Rapid Decision system. The demonstration highlighted the operation of the system's fraud controls and checks in an interactive environment, and the technical team answered the Committee staffs' questions related to the system. In addition to the information provided to the Committee staffs at that demonstration, RER's responses to the Committees' recent requests for information and documents are set forth below.

I. Background

In 2018, the SBA-ODA awarded the RER-Rocket Team a loan recommendation contract, Contract Number 7551019D0001 (the "Contract"), after a robust competitive process that involved nine competing bids. As the Statement of Work for the original contract makes clear, the SBA sought a solution that could deliver a loan recommendation "within 10 minutes of ODA's request for such service." *See* RER_0000144 at RER_0000155. While the SBA stated that it was not seeking a contractor to build or customize a system, or to purchase software or hardware, ODA confirmed that it did "not believe it is possible to provide manual loan recommendations in the timeframe required." *See* Solicitation No. 73351018R0010 Amendment 0001 (providing answers to questions and answers from interested contractors). In accordance with the SBA's requested solution, the RER-Rocket team offered a highly automated system that was flexible and scalable enough to meet the ODA's unique needs.

When the COVID-19 crisis hit, Congress quickly acted to implement programs to assist small businesses under the CARES Act. The SBA-ODA approached the RER-Rocket team and asked them to submit a proposal for loan recommendation services under their existing ODA contract vehicle. The RER-Rocket Team, together with a second-tier subcontractor, Rapid Finance, worked expeditiously to ensure that the Rapid Decision system could provide loan recommendation services to the SBA in accordance with the SBA's requirements. At the SBA's request, the RER-Rocket Team submitted its proposal on March 28, 2020. The next day, the SBA

approved the RER-Rocket Team's EIDL proposal, and the Team immediately began work. Faced with exigent circumstances, the RER-Rocket-Rapid Team stood up a loan recommendation platform by the first week of April 2020 to meet the immediate demand from millions of small businesses. By the time the Team began processing loans on April 6, 2020, small businesses—struggling with the unprecedented demands of the COVID-19 crisis—had already submitted more than 4 million applications.

Throughout the past year, the Team consistently outperformed the requirements of the contract. RER's original Contract with the SBA contemplated loan recommendations at a rate of one million recommendations in 60 days. Under the original Contract, RER was primarily working on home loans before the COVID-19 pandemic occurred. Under the EIDL task order, however, the RER-Rocket team delivered one million recommendations in 10 days. The team has identified millions of duplicate applications and proposed that the SBA reject millions more, due to the fraud controls and checks that the system performs when assessing each loan. For example, by February 28, 2021, the Team had identified over 5 million loan applications as duplicates, and over 6 million loan applications received a negative decision.

The SBA has been pleased with the Team's efforts throughout performance of the EIDL work. The RER-Rocket Team has received positive reviews from the SBA, including the recent Contractor Performance Assessment Review ("CPAR"), which was signed by the Contracting Officer on October 30, 2020. The Review rated RER "Exceptional"—the highest available rating—in every category but one, including Quality, Schedule, Cost Control, Management, Regulatory Compliance, Administrative, and Invoices. (It rated RER "Very Good" in Small Business.) The Contracting Officer Representative stated in the CPAR that "[g]iven what I know today about the contractor's ability to perform with this contract or order's most significant requirements, I would recommend them for similar requirements in the future."

II. The Committees' Concerns About Fraud Controls

The Committees' recent letter raises concerns about fraud controls in the EIDL program, citing to the SBA Office of Inspector General ("SBA-OIG") report about purported fraud control deficiencies on the project. By the time the SBA-OIG published that report, the SBA had provided explanations for many of the potential fraud control problems identified by the OIG and many of the specific items identified as "potentially fraudulent EIDL loans and advances." As an example of "potential" fraud, the Committees' letter cites loans made to different applicants who used the same IP address to apply for their loan. *See* 02-11-2021 Chairman Clyburn and Chairwoman Velázquez Ltr. to RER at 2. The SBA-OIG similarly identified these loans and advances as "potentially" fraudulent. Additional investigation by the SBA, however, revealed that these applications commonly originated from law firms, loan packagers, and certified public accountants. The SBA attempted to contact those borrowers by phone; the borrowers that they reached confirmed that they employed the services of attorneys, accountants, and other

representatives to apply for EIDL assistance. *See* SBA Response to Inspection Report at 51–52, https://www.sba.gov/sites/default/files/2020-11/SBA%20OIG%20Report%2021-02.508.1.pdf. The SBA's analysis confirmed that these uses of shared IP addresses were legitimate.

Similarly, the SBA investigated additional potentially fraudulent loans identified by SBA-OIG in its Draft Report, and provided explanations for many of the OIG's findings. *See generally id.* As another example, the OIG's Draft Report faulted the SBA for approving loans with bank accounts that were changed from the original application. *Id.* at 49. Many of those changes were prompted by the SBA itself. *See id.* The EIDL program's banking validations and internal controls effectively identified inconsistencies between the business applicant and the listed bank account information; as a result, the program's validation protocols prevented applications from moving forward to disbursement because of bank account and routing numbers with minor errors, or because the applicant used a personal bank account instead of a business bank account. *See id.* The SBA sent emails to more than 2 million applicants on June 3, 2020 to inform them that the SBA was unable to validate their information to process the EIDL advance, and it invited these applicants to correct their applications. The system then ran the same validations and internal controls against the updated information. Ultimately, the SBA was able to approve EIDL advance funds to more than 338,000 businesses that updated their information. The system still rejected 761,000 updated applications after the second validation attempt.

III. Unredacted Copies of Proposals

In your February 11, 2021 letter, the Committees again request "[u]nredacted copies of any proposals prepared by RER regarding the EIDL project." As RER explained in its November 25 letter, these documents contain highly sensitive commercial information that could jeopardize RER's competitive interests if the documents were to be made public. RER previously proposed allowing the staff to review unredacted copies of the proposals, without retaining them in the Committees' files. Should the Committee wish to approach this proposed accommodation in a different way, RER remains open to discussing other ways to provide the Committee with the information it seeks in a manner that protects RER's legitimate interest in shielding its competitive information from public disclosure.

IV. The Committees' Most Recent Document Requests

A. Request 1 (Non-Disclosure or Confidentiality Agreements)

Based on discussions with Committee staff, we understand that Requests 1 and 2 seek to identify RER's staffing of the contract. As discussed with Committee staff, non-disclosure agreements associated with the contract may not be an effective proxy for identifying staff who worked on the project. Given the exigency created by the COVID-19 crisis—particularly when

the contract was ramping up—certain employees may have signed an NDA who never worked on the project, and others who worked on the project may not have signed an NDA.

In an effort to accommodate the Committees' Requests 1 and 2, RER below provides a list of its employees by title who have worked on the Contract, including all relevant Task Orders.

The RER Team who have supported the Contract include the following six individuals:

- Program Manager
- Director, Credit Policy
- Sr. Business Analyst
- Sr. Business Analyst
- Quality Assurance/Tester
- Technology Innovations Manager

B. Request 2 (Documents indicating meeting attendance by RER)

Based on discussions with Committee staff, RER believes that its response to Request 1 above satisfies this request.

C. Request 3 (SBA's Requirements, Specifications, or Guidance Regarding Business Process Rules)

RER is producing a sample of its work plans and dashboards that were exchanged with the SBA—often on a daily basis—which reflect communications between the Team and the SBA about management of the application's business process rules. Some of these work plans and dashboards also are responsive to Request 4 (Fraud Checks) and Request 5 (Reports and updates provided to the SBA).

In addition to these daily reports provided to the SBA, the Team has communicated regularly with the SBA since the beginning of the COVID-19 Task Order in March 2020. At the beginning of the COVID-19 Task Order, the Team and the SBA were conducting daily—and often twice daily—phone calls to discuss performance, work plans, and status of new functionalities. The Team continues to communicate with the SBA through regular phone calls.

D. Request 4 (Fraud Checks)

In its prior production, RER produced to the Committees a document from the Office of Grants Management to the Chief Financial Officer of the SBA, which stated that the Small Business Administration "contracted with RER Solutions for identity verification, data validation, and fraud detection." *See* RER_0000472. The letter also provided details on the SBA's requirements for processing of EIDL Applications as well as Fraud Check Indicators. *Id.*

In addition to this document, the Rapid and Rocket technical team provided a tour of the Rapid Decision system to the Committees and their Staff on March 3, 2021. The Committee staffs asked questions about the platform during the presentation. This interactive view of the system provided additional responsive information to the Committees about the fraud checks in the system. In addition, the daily dashboards produced show the work that the Team was doing throughout the course of the project to add additional functionality to the system. These dashboards provide additional information about the addition of new fraud checks to the system.

E. Request 5 (Reports and updates provided to the SBA)

RER is producing to the Committees daily reports provided to the SBA over a 60-day period, which are described below. The Team began providing these reports to the SBA at various times throughout the contract.

- Summary of COVID-19 Economic Injury Disaster Applications: A daily report of rolling application intake data from March 29, 2020 through the report date. The first slides show trend lines for various categories, including Count of Loan Applications Submitted; Sum of Maximum Loan Potential; Count of Advance Applications Submitted; and Loan and Advance Applications Submitted. The bulk of the report is the "Summary Data," which is an inclusive chart that provides application data from March 29, 2020 through the report date. It includes the number of applications per day, sum of maximum loan potential, average loan potential, and other metrics related to each application.

- Summary of COVID-19 Economic Injury Disaster Rapid Decision Submissions: A daily report that includes advance and loan processing activity received on the COVID-19 EIDL Application website. It includes summary data for loans and advances as of the report date, including the number of requests submitted and number approved.

- SBA EIDL Loan Applications-Queues Snapshot: A daily spreadsheet that lists multiple "Measured Action[s]," as well as the number of applications in that stage. For example, one of the Measured Actions is "Applications waiting to be processed into Rapid Decision." The stage is "In Intake." On February 10, 2021, there were 2,142

Applications waiting to be processed into Rapid Decision. The report also includes the average number of days in the queue and the average percent of applications in the queue for more than 10 days.

- SBA EIDL Loan Applications-Throughput Last 24hrs: A daily spreadsheet that lists multiple "Measured Action[s]" and the stage, as well as the Count for the past 24 hours. For example, one of the "Measured Action[s]" is "Duplicate Applications." On February 10, 2021, there were 8,621 duplicate applications, meaning applications that have been determined to be submitted by the same applicant multiple times. The SBA only considers the first application submitted by an applicant, and any duplicate request is not considered. A record of all duplicate applications is maintained in the system.

- SBA Work Plan-Rapid Program Work Dashboard: A daily dashboard that includes a Targeted Intake Report, which provides statistics for the past 24 hours and for the program to date. The Dashboard also includes Prioritization Backlog Items, Action Items, Risks/Open Items, and Completed Items.

RER also provides a daily Processing Report/Fee Tracking Report to the SBA, which sets forth information about the number of applications, advance decisions, loans with advance decisions, loans without advance decisions, the number of co-applicants, and various fees.

A sample of one of the most recent Processing Reports, dated February 28, 2021, is below.



F. Request 6 (Possible alert messages)

The Committees seek a "list of potential alert messages generated by the project's loan recommendation software and presented to SBA loan officers." RER understands that Rapid has provided the Committees with the most up-to-date list of these messages in its response to the Committees requests. Any information RER might have would be duplicative of Rapid's response.

V. Requests for Information

A. Revenue, Expenses, and Profit

RER previously provided the Committee with invoices from RER and Rocket to the SBA from March 2020 through October 2020. In response to the Committees' most recent request for financial data, RER is producing invoices for it and Rocket from November 2020 through February 2021.

B. Fraud Checks on EIDL Applications

The Committees request "[a] complete list of all fraud checks conducted on EIDL applications, and any documents demonstrating such fraud checks, including but not limited to any Statements of Work and any other direction provided by SBA to RER." The Committees also sought this information in previous requests. RER previously provided a response to the Committees' requests for this information, *see* 11/25/2020 N. Eggleston Ltr. to Chairpersons and Committee Members at 9–14, and repeats that response here. RER also produced a document that showed fraud checks in the system. *See* RER_0000472. The Rapid and Rocket technical teams have also provided the Committees with a tour of the Rapid Decision system, which demonstrated the operation of the fraud controls in that system.

In addition to the information that RER has already provided to the Committees, RER provides the following narrative description of the fraud checks in the system. RER also included similar information in its November 25, 2020 letter. *See* 11/25/2020 N. Eggleston Ltr. to Chairpersons and Committee Members at 9–14.

The Director of the SBA's Office of Grants Management issued guidance to RER's Chief Financial Officer, Tami Perriello, on April 7, 2020. *See* RER_0000472. The guidance authorized payments from RER Solutions, including the authority to issue EIDL Advances, up to $10,000, subject to the procedures outlined in the memorandum. *See id.* The guidance explains that the SBA contracted with RER for "identity verification, data validation, and fraud detection." The Office of Grants Management thus provided RER the following verification requirements and fraud check indicators.

The verification checklist lists the verification checks required by the SBA Office of the Chief Financial Officer, including:

1. EIDL applications collected through the Rapid Intake COVID-19 EIDL web form will be forwarded for processing to Rapid Decision automated processing platform configured and programmed in accordance with SBA Office of the Chief Financial Officer requirements as follows:
2. **Remove duplicates**

3. **Remove applicants previously funded under COVID-19 EIDL in the Disaster Credit Management System (DCMS)**
4. Perform fraud checks
5. Calculate eligible Advance amount based on logic provided by SBA
6. Applications that are not duplicates and not excluded based on fraud rules will be periodically placed in a batch file including fields required for processing through the Office of the Chief Financial Officer
7. Each batch file shall include batch number/code in the file name
8. Each batch file is sent to the Office of the Chief Financial Officer for funds check and creation of a Payment Automation Manager (PAM)-compliant file.

See id. (emphasis in original).

The Office of Grants Management guidance also listed the fraud check indicators. It instructs that "[i]f any 1 of the BOLDED fraud indicators in the verification process are triggered or any 3 BOLDED OR NON-BOLD indicators are triggered, the application will not be included in a batch file." These fraud check indicators include:

1. **Large number of applications with other lenders** (large scale)
2. Large number of applications for this program (several in succession)
3. **Owner information failed validation** (information does not match, person is listed as deceased, etc.)
4. Client location is international
5. **Digital identity fraud suspicion/suspicious online behavior** – the data has been used fraudulently online
6. VOIP phone number
7. Phone number is not associated with business or owner
8. Email has not passed validation
9. **Invalid bank account number and/or routing number**
10. **Bank account ownership does not match business**
11. Unable to confirm business registration

Id. at 1–2 (emphasis in original).

In accordance with these "streamlined procedures" and the CARES Act, the Director of the Office of Grants Management "authorize[d] the disbursement of all records verified, validated, [and] approved" from RER Solutions to the Office of the Chief Financial Officer. *Id.* at 2.

Further, as outlined in the SBA's Response letter to the OIG Report titled "Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic," the SBA "leveraged technological solutions to add dozens of novel validations and

internal controls" to the COVID-19 related EIDL applications. *See* SBA Response to Inspection Report at 50, https://www.sba.gov/sites/default/files/2020-11/SBA%20OIG%20Report%2021-02.508.1.pdf. The SBA listed these system controls and validations in its Response, identifying "controls that are new and in use specifically for COVID-19 EIDL" with an asterisk:

Data Validation & Controls:

- Intake Application form field validations for correct data types and completeness
- Intake form user input review prior to submission
- Applicant data submission certification requirement
- Identity information application velocity check*
- Identity Information validation*
- Email address validation*
- Phone number validation*
- User identity validation with out of wallet questions*
- Public records lookups
- Bank account data validation check*
- Bank account ownership check*
- IP address and device screening*
- Credit report for score and fraud flags

System Decision Controls:

- Duplicate application detection
- Related application linking on multiple data attributes*
- Red flag alerts for data attributes indicating potential for suspicious activity*
- ODA Rule of Two requirement for loan approval
- 70+ business rules to determine business eligibility & loan/advance amounts*
- Role-based approval restrictions
- Role limited reconsideration workflow
- User restricted failed disbursement processing
- User action logging and notes updates

System Access and Workflow Controls:

- Segmented Workflows with Role Access Limitations
- Two-Factor Authentication
- Multiple failed login attempt lockouts
- IP Address velocity restrictions and blocking*
- Bank account update access tokenization (Advance Reconsideration)*

Network & Application Security:

- Azure Front Door – MSFT threat intelligence and identification to guard against SQL injection and other malicious hacking attempts
- Azure – Network Security Group IP rules
- Rapid Server Level Firewall Rules
- Webroot Secure – Server level endpoint protection
- Application level rules – IP blacklisting & whitelisting, User level behavioral blocking, cross site scripting controls, permission based user access to only associated active applications
- Data encryption at rest (MSFT TDE) and in transit (TLS 1.2)

Attack Mitigation and Security Monitoring:

- Azure Defender Security Center – Intrusion detection, vulnerability assessment and overall environment monitoring
- Azure DDOS protection
- OCIO Penetration Testing

Id. at 50–51. The SBA Response to the OIG Report also highlights "systematic enhancements" that were added in response to "internal and external comments." *Id.* at 70–71. These enhancements are detailed in the SBA Response to the OIG Report and included in our November 25, 2020 letter to the Committees. *See* 11/25/2020 N. Eggleston Ltr. to Chairpersons and Committee Members at 13.

C. RER's Assessment of Improper Payments

The Committees seek "RER's assessment or estimate of the amount of improper payments that have been made to applications who were processed through its loan recommendation software." This Request seeks a metric that RER does not track.

The RER-Rocket Team does track the number of rejected and duplicate loan applications. As of February 28, 2021, 17,764,721 applications had been submitted to the Rapid Decision system. The Rapid Decision system identified 5,260,601 of those applications as duplicates. Of the 12,504,120 unique applications, 6,061,347 received a negative submission. 4,389,817 of those applications were rejected because of credit score fails and ineligible submissions; 42,526 were deemed automatically unqualified; and 1,629,004 applications were declined by the loan officer.

These numbers show that the rigorous controls applied in the Rapid Decision system, together with the SBA loan officer review, have been working as designed. With 5,260,601 applications identified as duplicates and another 6,061,347 applications rejected, the EIDL program has declined to obligate funds to the majority of the 17,000,000 applications SBA has received.

D. Description of SBA's Rules

The Committees seek a "description of SBA's rules, specifications, and requirements for how the loan software should classify applications for various recommendation queues." RER understands that the Committee also requested this information from Rapid Finance. Rapid Finance has the most up-to-date and accurate set of rules, specifications, and requirements that the SBA has provided for the loan software's classification of applications for various recommendation queues, and RER understands that Rapid Finance is producing this information to the Committees.

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Please note that this letter is labeled "Confidential." The letter contains sensitive commercial information related to RER's current and/or future commercial operations. I respectfully request that this information be treated as confidential and protected from disclosure in accordance with all applicable laws and regulations, and that prior to any disclosure you provide us with notice and an opportunity to assert any applicable privileges.

Thank you for the opportunity to provide information to the Committees on this important matter.

Sincerely,

[redacted]

W. Neil Eggleston

Enclosures