

Standards Support Small Business During COVID-19 Crisis

April 7, 2020

Governments should support small businesses with financial data standards now, to efficiently manage relief funds. This approach can be put in place quickly, with minimal effort and cost. It is a long-term solution to manage government-required data in good times and bad. How do we know? We've created the financial data standards and the application to demonstrate.

When faced with situations like today's COVID-19 pandemic, policy setters scramble to effectively set policy, identify resources, distribute funds, and track grants and loans for relief purposes. Without good data, programs are not effective, money and resources wasted, fraud is inevitable.

Hundreds of countries use standards for various types of financial programs¹. In the United States, financial data standards are used by: banks reporting to the Federal Deposit Insurance Corporation (FDIC); public companies, mutual funds and credit rating agencies reporting to the Securities and Exchange Commission (SEC); and most recently, public utilities reporting to the Federal Energy Regulatory Commission (FERC). These standards enable machine-readable data and reduce costs for government and business.

But more standardization, across government and business, is needed. Most regulators do not have the infrastructure to enable effective data reporting, collection, and distribution. This is not new. XBRL International, XBRL US, and our members have been advocating for greater government use of standards since the XBRL financial data standard was first developed in 1999. Standardized, automated financial data can help governments in other ways, beyond the processing and monitoring of relief disbursements:

Identify state and local governments at risk.

Governments need current information about municipalities to understand: the cost of basic services; which entities may need to spend more because of the virus? Which local governments may be hardest hit because they already have fiscal distress? How long can a local government run on reserves with diminished incoming revenues? What statewide or regional cuts in services should be made? When will recession impacts reach which governments? Governments generally experience a lag in recession impacts. However, some will be hit harder and faster.

¹ Global XBRL financial data standards programs include: 82 financial regulatory, 52 capital markets (public companies), 18 business registrars, 9 tax authorities, 5 government oversight, 2 Standard Business Reporting (all businesses and governments report in a common standardized format).

Reduce burden on governments and industry for data collection.

Often businesses must report the same information to multiple regulators. Data may be submitted at different times and frequencies, in different formats (PDF, web forms, Word, spreadsheet). Businesses spend thousands of hours identifying and preparing data. Regulators maintain separate, siloed data collection systems when they could, and should, share services. In the U.S., the Internal Revenue Service (IRS) and the Small Business Administration (SBA) need the same information from the same businesses, yet they collect data separately, forcing businesses to double their efforts, and requiring each agency to build separate collection systems.

Some forward-looking governments, like Australia² and the Netherlands³, have reduced the financial burden on regulators and businesses by requiring a common set of data standards, leveraging a single data collection system, used by all government regulatory agencies and reporting businesses. Australia reported that they save \$1.1 billion every year through this program. Shouldn't every country do the same?

Recommendations

Require financial data standards for applications, disbursements and tracking of relief funds. Applications for relief funds should be submitted in machine-readable, standardized format. This enables automation for rapid response in times of distress, and can be done quickly by providing applicants with standardized online or spreadsheet templates for data collection that generate machine-readable data. Standardized data received can be automatically consumed by any bank or regulator, without manual rekeying or vetting. Templates can be “extensible” so that government agencies that require additional information can expand on the base template. In the UK, the availability of structured (XBRL) financial data for all private companies reporting to the tax authority (HMRC) has made it significantly easier to process loans and distribute funds.

Implement *real* standards that can be used for decades. Standards programs require a change in process, particularly for preparers. Too often, a program that starts with great promise, gets watered down when concerns are raised. There will be hurdles, but be sure to have the facts: what are the real costs? Don't accept data from preparers in whatever format they choose (just to make it easier), without the appropriate embedded structure (standards). That is not a standards program and does not benefit anyone.

Use a standard that appropriately handles the complexity of the data. Financial facts have numerous characteristics, including time period, units (currency or volume), data type (monetary, integer, percent, boolean, enumerated list), precision (thousands or millions), balance type (debit or credit), period type (duration or instant), and there may be other dimensional characteristics like whether the data represents sales in the Eastern or Western region. Reports containing financial data, like loan applications, usually contain more than one kind of data as shown on the diagram of the SBA's Paycheck Protection Program Application Form below.

² Australia Standard Business Reporting: <https://www.sbr.gov.au/>

³ Netherlands Standard Business Reporting: <https://business.gov.nl/regulation/standard-business-reporting/>



Paycheck Protection Program Application Form

OMB Control No.: 3245-0407 Expiration Date: 09/30/2020

Non-Profit Vet Org Tribal Ind. Cont. Self Employed

Business Legal Name _____ DBA or Tradename if applicable _____

Business Primary Address _____ Business TIN (EIN,SSN) () - Business Phone _____

Primary Contact _____ Email Address _____

Reporting entity: Jane Doe Small Business

Average Monthly Payroll: \$ **50,000** X 2.5 equals Loan Amount: \$ _____ Number of Jobs: **14**

Purpose of the loan (select more than one): Payroll Rent / Mortgage Interest Utilities Other (explain): _____

Applicant Ownership

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN,SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>

Concept: Average Monthly Payroll

Units: US dollars

Reporting entity: Jane Doe Small Business

Datatype: monetary

Period type: duration

Period: 1/1/2019 - 12/31/2019

Concept: Number of Jobs

Reporting entity: Jane Doe Small Business

Datatype: integer

Period type: instant

Period: 12/31/2019

Concept: Business or Owner Suspended, Debarred or Otherwise Ineligible

Reporting entity: Jane Doe Small Business

Datatype: boolean

Period type: instant

Period: 12/31/2019

The characteristics of the three highlighted facts are shown in the blue boxes. The data standard must accommodate all types of data and all descriptors of the data. Every fact must be reported consistently and unambiguously so that the financial system of the lender or regulator receiving it has complete understanding. The preparer of the data must be given clear instructions (documentation) on how to report the data. When clearly defined standards are used, business (validation) rules can be used to check the data before it's submitted to improve accuracy.

Make sure the standard is machine-readable, not just machine-consumable. A data standard must have 1) a way to unambiguously define a fact and all its descriptive characteristics; and 2) a way of transporting the fact and its characteristics.

First, a set of data fields with a corresponding definition is an important start, but that list of fields must be combined with other characteristics that need to be reported about the fact. If we know that 500 represents Revenues, we still need to know if it's in thousands or millions. Euros or US dollars? Does it represent an entire company or just a division? These features of the fact are necessary to accurately convey the meaning.

Second, the standard must have a "transport" format like CSV, XML, HTML, or JSON. By itself, a format is not a standard. It can deliver information, but has no structure to consistently convey a fact. Without a consistent method to deliver time period, units, and other characteristics, once the data is received, it must be reviewed and interpreted. No automation. No machine-readability. The fact may be "machine-consumable", but it's not "machine-readable". There is a big difference.

5 steps to build standards now

Governments worldwide can leverage standards today for the various loan and grants programs that they need to administer. Here's how.

1. Create data standards to represent the base loan application. *We've already done this using the [SBA Disaster Loan application](#).*
2. Enable secure data collection and validation platforms at regulators and banks that will be implementing the relief fund program.
3. Build loan application templates that capture all the items on the application including checklists, true/false statements, financials. *We've already done this too[[LINK]].*
4. Use the machine-readable data generated to make better decisions, improve timeliness and reduce costs and waste.
5. Review, revise and adjust as needed.

What's the secret? The spreadsheet template has hidden sheets that connect reported facts to data standards, so they can be converted to standardized, machine-readable format using an open source (free) application. Data collection systems like those at the regulator and bank, map their internal systems to the data standard so they can automatically extract all the reported data, with no manual keying or vetting.

How much will it cost? This system relies on open source data standards and tools like Excel that most borrowers and banks already have. The data standards and templates we created can be expanded upon if there are additional reporting needs so there may be a cost for additional work. But that's a one-time cost. Adjustments to the data standards or templates can be handled by the regulator with no need to go back to a vendor.

The templates we provided can help to get the program started. But in future, commercial vendors will very likely create more applications for borrowers to submit loan applications. Commercial vendors can build on the "template" idea by creating better, more feature-rich tools that do essentially the same thing as the humble template, but make it easier and provide more options to customers. That means the program can grow and expand, and tools for use by borrowers, banks, and regulators will get better and better, but remain competitively priced.

What's the alternative?

In the absence of standards, governments fall back on the same old solutions, hiring a vendor to create a custom-built product that does one thing (like handling loan applications). Then that vendor becomes the market's exclusive provider, with exclusive market access, and must be called upon for any changes in reporting needs, technology upgrades, or enhancements. Alternatively, the "solution" may be to hire and train thousands of temporary workers to manually extract, review and analyze information. Or we end up doing both.

Conclusion

During times of plenty, it can be easy to dismiss the value of automation through standards. Government staff manually rekey and review information. Loan and grant applications just take longer to process. Lack of effective monitoring inevitably causes waste and fraud but during good times, that may be dismissed as “the cost of doing business”.

But loan recipients should be able to submit their applications with ease; banks and governments should be able to qualify applicants; and monitor payments and disbursements, with minimal (if any) manual intervention. Only then, if the program is implemented efficiently, can we head off economic disaster. Governments owe it to taxpayers (who ultimately will foot the bill for the funds being administered), to establish an infrastructure that limits waste, fraud and abuse.

We urge government agencies and regulators around the world to consider these recommendations. The urgency of the situation calls for decisive, but prudent moves. Standards can be implemented quickly and at low cost. They pay dividends for decades, and get us ready to meet any crisis down the road.

For more information:

- Review and use the SBA Loan Application Taxonomy (based on the SBA Disaster Loan Application) and the loan application template: <https://xbrl.us/2020-loan-app>
- Get the fact sheet: <https://xbrl.us/standards-support-small-business>
- Email us for more information: info@xbrl.us