

## Back to Basics for Private Equity – Four Longer-Term Areas That Warrant Renewed Focus Post-COVID-19 (October 2020)

As the global economy slowly emerges from COVID-19 lockdowns, it is important for companies to focus once again on some of the longer-term challenges that may have taken a backseat in recent months. Private equity managers can partner with their portfolio companies to ensure these areas are receiving appropriate attention.

Recently, we have published a number of resources offering insight into four vital areas for organizations in different industries. Here are some highlights, with links to content providing deeper details.

### **Cybersecurity: A Holistic View**

At a time when cybercrime continues to increase, an emerging trend among private equity firms is their growing attention to the remediation, monitoring and reporting of cybersecurity capabilities of the companies in their portfolios. Historically, they have not fully appreciated the varying degrees of cybersecurity risk relative to a company's specific industry. And understandably, the emphasis on investing in promising businesses and improving their operations to add value and create attractive acquisition or initial public offering candidates has typically taken precedence over other considerations.

Many private equity firms are struggling to find an efficient and cost-effective way to accomplish cybersecurity reviews. A holistic approach, with minimum acceptable performance thresholds and a common framework applied across the portfolio, not only sets expectations for cybersecurity at the company level, but also creates management efficiencies that save time and money for portfolio managers.

This is a relatively new direction for private equity managers. As we detail in this paper, those that step forward will not only increase the chances of a profitable exit, but also demonstrate proper governance to investors:

Private Equity and Cybersecurity – Gaining a Holistic View

	protiviti
Private Equity and Cyl a Holistic View	bersecurity – Gaining
do not fully appreciate the verying cop	entitles to be a top priority. Oher tray root of tybersecurity risk relative to a errandially, the emphasis on rivering phare operations to add values and or is online up constrained has typically.
ini kaler erikander an annandruhler, inn	Sector potential aff, see, here at the set
nor area that if you are shown (you could charms part or case) provides a liter exploration in the lowers area area or how and the second state and the second second second second problem is the second second second problem is the second se	<ul> <li>excess see closely, to the brand.</li> <li>The parameters and the angle of excess to the standard of excessions and angle of excessions and angle of the standard of the stan</li></ul>
A Growing and Costly Threat	Prospect, all Tradition Science 1 S. Tradition and Concentration.
non believ son to es de servici (pida) fair à sociate vina mode d'altriga dal donc dentativamente providar realiza- (Construite providar marcadore pidante esta providar marcadore pidante esta providar marcadore pidante esta providar marcadore pidante esta providar marcadore institutiva de provida marcadores des disclassivas de marcadores de las des pidante de fidade esta de las destas de las des pidantes de fidade esta de las destas de las des pidantes de fidade esta de las destas de las destas de las des pidantes de fidade esta de las destas de las destas de las destas de las de l	control operations, and charge spatial periodical efforts of the standards that they shall not be reacted working.
	Their consistions a phone we define these is and Theorem by provide the grant phone as even one is the set of a specific phone and performance (File) through the standard define processes are phone around from the consideration of the set of the set of the standard through the set of the set of the set of the set of the File set of the set of the set of the Set of the File set of the set of the set of the File set of the set of the set of the set of the File set of the set of the set of the set of the File set of the set of the set of the set of the File set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the set of the
	with where decirate

# Anti-Money Laundering: Greater Scrutiny Required

Money laundering is a threat to businesses worldwide. Private equity firms and their portfolio companies are not immune. In fact, a recently leaked FBI bulletin suggests that the lack of an anti-money laundering (AML) reporting regimen has made private equity and hedge funds havens for wealthy individuals and politically exposed persons (PEPs) looking to circumvent AML requirements at other financial institutions.

Specifically, the FBI bulletin suggests that private equity funds may receive funds from offshore entities registered in countries that make it easy to mask the true, underlying beneficial owners, and cites numerous examples involving fraud, organized crime and sanctions evasion. The agency predicts that this trend will only get worse unless private investment funds adopt AML measures comparable to those used by banks.

It is not yet clear whether the Treasury Department will ultimately extend current AML requirements to include private equity. The risks, however, are clear, and law enforcement is paying attention. Learn more in this paper:

Private Equity and Hedge Funds: Methods of Choice for Money Laundering Threat Actors

Provide Equity and Hedge Tunker: Heshand on United State Control of Tunker (1999) and the Hedge Tunker (1999) and the Heshand State Control of Tunker (1999) and theshand State Control of Tunker (1999) and the Hesh		
prior the source theodorem ready in the total case of the source that source theodorem ready in the total case of the source theodorem ready in the total case of the source theodorem ready in the source the source theodorem ready in the source theodorem ready in the source theodorem ready in the source the source theodorem ready in the source the source theodorem		
Indicator - rodan i si basca auroratoria con utility to principal possibili Indicatoria - rodan i con testa possibili auroratoria i possibili auroratoria Indicatoria - rodan i con testa possibili auroratoria refere - trans a rodan auroratoria - rodan auroratoria refere - trans a rodan auroratoria - rodan auroratoria refere - trans a rodan auroratoria - rodan auroratoria Refere - - Refere - Refere - Refere Refere - Refere Refere Refere - Refere Refere - Refere Refere Refere - Refere Refere Refere - Refere Refere Refere - Refere	pears into a serveral trillon-dallar indu Foctoral 3ureau of Investigation (FBI)	rry in the United States in a leaded and ass field, but some two, builder the
where twents a relative transmission of the twents of the twents of the twents of the twents of the twents of twents of twents of twents of twents of twents of twents of twents of twents of twents of twents of twents the twents of twen	motivatee or minals and facelign adver at Lands in-cluding investments attains	saries are using the private placement. I by private security (Po) Trims and
Kog, Kakow Kalinow Kali Coli Care Jian Kawa Yu, Ki Yu, Yu Yu, Yu Yu, Ki Yu, Yu Yu Yu, Yu Yu Yu, Yu	alter manual kellukore and launder	money to making its assertion, the
reaction of the presidence and any symplectic the transition administration data symplectics.	being the advances the dimensional data of a user built mean experiment. For the data was mericon- tendencing relation to the data of the mericon- tendencing relation of the source of the data in the data and the second periods. The data is address and data excesses for a source of the mention of the second periods of the data of the mericon of the second periods. The data of the mericon of the second periods of the second data of	Imaging a result of core and Regime and a click set of a conditionant regime and a click set of a click set of the set of th
"High staffs, as we want of sales in. We increase we had such that the intermediation would be as a provide that the sales of the sales of the sales of the sales of the sale of the sales of the sales of the sales of the sal	DARCHER, DOMENNEN FOR AND CONTRACTOR AND A DARCHER TO A DARCHER AND A DA	anana waya taka ya taka ya taka a sa kata na kata ya kata wa kata ya taka ya taka ya taka kata ya taka ya taka Kata ya kata ya taka ya taka ya taka kata ya taka ya ta

### A Company in Your Portfolio Requires Legal Counsel – What Are Your Options?

It is common for companies expanding through acquisitions to outgrow their inhouse capabilities. This is often the case with legal services during acquisitions, when company management might turn to their private equity firm for due diligence and other guidance.

It's not unusual for those companies to continue to work with the same outside counsel on other legal matters after an acquisition is complete. The challenge here is that by continuing to contract with a large, full-service law firm, companies may be paying for bandwidth and capabilities they no longer need.

Some larger private equity firms have addressed this concern with a variable cost, or "on demand," model, especially for routine services. This "managed service" approach allows companies to bring in attorneys and legal experts and pay only for the time and talent they need – tax lawyers for tax issues, human resource lawyers for personnel challenges, etc.

By augmenting the in-house legal group with temporary staffing and subject-matter expertise, companies can manage peaks and valleys without the expense of keeping a fullservice law firm on retainer, and reallocate the savings to other pressing needs. Hear more on this issue in our podcast featuring Protiviti Managing Director Rob Gould and Robert Half Managing Director Joel Wuesthoff:

Podcast – A Private Equity Perspective on Legal Services



# Healthcare Profit Hack: Revenue Cycle Automation

Healthcare is a growing area for private equity investors, as technology, regulations and rising costs fundamentally change the way services are delivered and consumed. More and more companies are entering the space. But while healthcare providers have been focused on improving quality of care and squeezing costs out of the supply chain, one critical process, the revenue cycle, has remained largely unchanged.

Financial clearance, claim status checks, denial resolution and late charge entry look nearly identical for providers across the United States. These processes are generally manual and require many full-time employees, both in-house and outsourced – resources that could be put to more profitable use. It's not that healthcare companies don't recognize the opportunity. But revenue cycle automation has taken a backseat to other priorities, including, most recently, the pandemic.

Revenue cycle automation represents a vast and largely untapped opportunity for private equity managers to create value. Something as basic as the automation of high-volume, repetitive tasks through robotic process automation could free up employees to focus on more complex tasks. In addition to RPA software, there are a number of other intelligent automation applications that can be used to optimize workflows with artificial intelligence and machine learning. Intelligent automation and enhanced analytics can help improve decision-making without drawing scarce resources away from the patient experience and the delivery of critical services.

Read more in this recent blog post on The Protiviti View:

Automating Revenue – Healthcare Revenue Cycle Quick Wins Amid COVID-19



## In Closing

These are not new issues, but they are important. With everything going on in the world right now, it may have been several months, or longer, since private equity firms have given these subjects much thought. By revisiting these issues with company management and checking regularly on their progress, private equity managers can mitigate portfolio risks and add value across the board.

#### We Are Here to Help

These are just a few areas of expertise in which Protiviti professionals excel. Private equity firms that need additional assistance or insight should not hesitate to seek guidance in these unprecedented and challenging times.

#### Contact

**Rob Gould** Managing Director +1.212.708.6354 rob.gould@protiviti.com

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and its independent and locally owned Member Firms provide clients with consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through its network of more than 85 offices in over 25 countries.

Named to the 2020 Fortune 100 Best Companies to Work For<sup>®</sup> list, Protiviti has served more than 60% of *Fortune* 1000 and 35% of *Fortune* Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

© 2020 Protiviti Inc. An Equal Opportunity Employer M/F/Disability/Veterans. PRO 10/20 Protiviti is not licensed or registered as a public accounting firm and does not issue opinions on financial statements or offer attestation services.

