

## Chapter 3

### Section 3.02

# COVID-19 Economic Response and Supports for Businesses

## Standing Committee on Public Accounts Follow-Up on Value-for-Money Audit, 2021 Annual Report

On March 23, 2022, the Standing Committee on Public Accounts (Committee) held a public hearing on our 2021 audit of COVID-19 Economic Response and Supports for Businesses. The Committee tabled a report on this hearing in the Legislature in February 2023. A link to the full report can be found at [www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html](http://www.auditor.on.ca/en/content/standingcommittee/standingcommittee.html).

The Committee made 12 recommendations and asked the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the

Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat to report back by June 2023. The Ministries formally responded to the Committee on June 20, 2023 (Ministry of Economic Development, Job Creation and Trade), June 21, 2023 (Ministry of Finance and Treasury Board Secretariat) and July 5, 2023 (Ministry of Public and Business Service Delivery). A number of the issues raised by the Committee were similar to the audit observations of our 2021 audit, which we are

**Figure 1: Summary Status of Actions Recommended in February 2023 Committee Report**

Prepared by the Office of the Auditor General of Ontario

RECOMMENDATION STATUS OVERVIEW						
	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1	1				
Recommendation 2	1			1		
Recommendation 3	4	4				
Recommendation 4	1		1			
Recommendation 5	1				1	
Recommendation 6	1	1				
Recommendation 7	1		1			
Recommendation 8	2	2				
Recommendation 9	1	1				
Recommendation 10	1	1				
Recommendation 11	1					1
Recommendation 12	3	2		1		
<b>Total</b>	<b>18</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>%</b>	<b>100</b>	<b>66</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>6</b>

following up on in 2023. The status of each of the Committee's recommended actions is shown in **Figure 1**.

We conducted assurance work between June 2023 and July 2023, and obtained written representation from the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat that effective November 20, 2023, they have provided us with a complete update of the status of the recommendations made by the Committee.

## Overall Conclusion

As of July 31, 2023, 66% of the Committee's recommended actions had been fully implemented. There

has been little or no progress on 11% of the recommended actions. Two recommended actions are in the process of being implemented and the Ministries are not planning to implement one of the recommended action items.

## Detailed Status of Recommendations

**Figure 2** shows the recommendations and status details that are based on responses from the Ministry of Finance; the Ministry of Economic Development, Job Creation and Trade; the Ministry of Energy; the Ministry of Public and Business Service Delivery (formerly the Ministry of Government and Consumer Services); and the Treasury Board Secretariat, and our review of the information provided.

**Figure 2: Committee Recommendations and Detailed Status of Actions Taken**

Prepared by the Office of the Auditor General of Ontario

Committee Recommendation	Status Details
<p><b>Recommendation 1</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade, in collaboration with the Ministry of Finance, and the Ministry of Public and Business Service Delivery, review lessons learned from the delivery of the Ontario Small Business Support Grant and provide this information to the Ontario Jobs and Recovery Committee to inform the design and delivery of future economic support programs for businesses.</p> <p><b>Status: Fully implemented.</b></p>	<p>The Ministry of Economic Development, Job Creation and Trade (Ministry) submitted a lessons-learned document from the delivery of the Ontario Small Business Support Grant to Treasury Board/Management Board of Cabinet in January 2023. The document was submitted to Treasury Board instead of the Ontario Jobs and Recovery Committee because the committee was no longer operational. The document outlined recommendations for future small business grants based on recommendations in our 2021 audit.</p> <p>One of the key recommendations in the lessons-learned document was to eliminate the auto-approval approach for all incoming applications for future small business support grants to significantly reduce the number of ineligible businesses receiving payments. The Ontario Small Business Relief Grant program, which was launched in January 2022 to provide financial support to small businesses that were required to close indoor operations, required all applications to be reviewed by Ministry staff.</p> <p>Another recommendation in the lessons-learned document was for the creation and delivery of mandatory training for all staff on program requirement/eligibility criteria and Transfer Payment Ontario (the system used for application processing). According to the Ministry, training material was delivered to staff for both the Ontario Travel and Tourism Small Business Support Grant and the Ontario Small Business Relief Grant, launched subsequent to our 2021 audit.</p>

Committee Recommendation	Status Details
	<p>Another recommendation noted in the lessons-learned document was for a mandatory requirement for the submission of documents at the time of application to assess authenticity and eligibility. According to the application guides, both the Ontario Travel and Tourism Small Business Support Grant and the Ontario Small Business Relief Grant require applicants to provide business documentation (such as void cheques, business bank statements, and identification of all businesses owned or controlled by the applicant, including the businesses' names and business numbers at the time of application). For the Ontario Small Business Relief Grant, the business number and legal name was to be confirmed in real time against the Canada Revenue Agency database via Service Ontario's Business Directory. According to the Ministry, the lessons learned will inform the design and delivery of future economic support programs for businesses.</p>
<p><b>Recommendation 2</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade, in collaboration with the Ministry of Finance and the Ministry of Public and Business Service Delivery, conduct a thorough evaluation of the Ontario Small Business Support Grant's efficacy, including the analysis of the number of business closures and insolvencies leading up to, during, and after the delivery of the grant, as well as the reasons behind the awarding of funds to ineligible recipients and the denial of funds to eligible recipients, and furthermore that said reasons be made public while not disclosing the identities of individual businesses.</p> <p><b>Status:</b> Little or no progress.</p>	<p>The Ministry of Economic Development, Job Creation and Trade (Ministry) co-ordinated with the Ministry of Finance and noted that, according to data provided by the Ministry of Finance, during the pandemic there was a low rate of bankruptcies and insolvencies, despite drastic declines in revenue.</p> <p><b>Business insolvencies and bankruptcies:</b></p> <p>According to the Ministry of Economic Development, Job Creation and Trade, using data provided by the Ministry of Finance, before the pandemic (between February 2019 and February 2020), the number of insolvencies in Ontario averaged 75.2 businesses per month, while bankruptcies averaged 53.3 businesses per month. After the onset of the pandemic (between March 2020 and December 2020), insolvencies and bankruptcies decreased. The number of insolvencies in Ontario averaged 60 businesses per month, while bankruptcies averaged 43.5 businesses per month. According to the Ministry, during the delivery period of the Ontario Small Business Support Grant program (between January 2021 and April 2021), the number of insolvencies in Ontario reached a low of 45 businesses on average per month, while bankruptcies averaged 32 businesses per month. After the program concluded (between May 2021 and May 2022), the number of insolvencies in Ontario averaged 59.9 businesses per month, while bankruptcies averaged 42.4 businesses per month.</p> <p><b>Business closures:</b></p> <p>According to the Ministry, prior to the pandemic (between February 2019 to January 2020), monthly closures ranged between a low of 15,500 in October 2019, and a high of 16,700 in June 2019.</p> <p>Ontario business closures reached a high in the month of April 2020, at 49,900. From May 2020 to December 2020, the number of business closures decreased gradually, but remained higher than the pre-pandemic levels.</p> <p>During the delivery period of the grant program, there was a slight increase from pre-pandemic levels in the number of closures between January and April 2021. In January 2021, there were 16,000 closures, which increased to 18,200 closures in April 2021. A month after the program closed, business closures started decreasing, from 18,200 in April 2021 to 13,800 in July 2021. However, closures have increased since August 2021.</p>

## Committee Recommendation

## Status Details

**Awarding of funds to ineligible recipients:**

The Ontario Small Business Support Grant provided support to eligible businesses that were required to close or significantly restrict services due to provincial public health measures. As the program was implemented quickly, the Ministries of Economic Development, Job Creation and Trade; Public and Business Service Delivery; and Finance had very little time to implement sufficient controls, which resulted in some ineligible businesses receiving the grant.

In addition, some ineligible applicants received the grant due to the submission of fraudulent documents, identity theft, potential involvement of organized crime, limits on sharing business information across programs/entities and misleading attestations.

As a result, additional controls were put in place to perform extra checks on applications. All applications received after March 14, 2021, were required to have a secondary review, and documentation was requested from all applicants to support the information in the attested application form.

**Denial of funds to eligible recipients:**

Businesses that provided the required documentation to confirm their eligibility, during the intake period, received the grant. If businesses appealed the decision, mechanisms were in place to allow for additional documentation and review to ensure that eligible businesses were not denied.

**Reasons for ineligibility:**

Since the program was attestation-based, the assessment of the application was based on the applicant declaring that what they had submitted was true. The initial decision to have the program as an attestation-based program allowed for applications to be processed quickly.

Ineligible applicants were provided with a rationale for the denial of their application. The application guide also stated that “the grant is a discretionary and non-entitlement program. As such, notwithstanding that an applicant has submitted a complete application and met all program criteria, there is no guarantee that the applicant will be approved for funding.”

Reasons that some businesses were not awarded the grant include:

- The business did not experience a revenue decline of at least 20% during the applicable comparator months.
- The business was not one of the business types that was required by the provincial lockdown to close on December 26, 2020, or the business had more than 99 employees.

While the Ministry of Economic Development, Job Creation and Trade has done an evaluation of the efficacy of the Ontario Small Business Support Grant, it has not made the results of the evaluation public, including the reasons behind the awarding of funds to ineligible recipients and the denial of funds to eligible recipients. This was a key element of the Committee’s recommendation.

Committee Recommendation	Status Details
<p><b>Recommendation 3</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Finance and the Ministry of Economic Development, Job Creation and Trade include the following elements in future business support programs:</p> <ul style="list-style-type: none"> <li>introduce an open and transparent appeal mechanism; <b>Status: Fully implemented.</b></li> <li>adapt the funding amounts to better reflect individual businesses' needs; <b>Status: Fully implemented.</b></li> <li>engage in more outreach to the business community before finalizing the program's eligibility criteria; <b>Status: Fully implemented.</b></li> <li>consider the unique needs of owners/sole proprietors of separate and distinct businesses/locations and investigate the possibility of their separate consideration in future programs. <b>Status: Fully implemented.</b></li> </ul>	<p>According to the Ministry of Economic Development, Job Creation and Trade (Ministry), while the program did not have an appeal mechanism, applicants could reach out via the contact centre and the program email address. Some applicants contacted the program via their local MPP or business associations. These appeals were reviewed by senior program staff with the involvement of supervisors/management. Where possible, future business support programs will introduce an open and transparent appeal mechanism.</p> <p>The Ministry calculated the grant amount based on comparing revenue loss of April 2019 to April 2020 to ensure a consistent approach for all applicants. As per the Ministry, this period would show the impact of the public health measures implemented in spring 2020 on the revenue of small businesses. The government provided different criteria for businesses that were not in operation during the months of April 2019 to April 2020. For example, winter seasonal businesses, such as ski hills, would have their revenue decline calculated by comparing the month of higher revenue, selected from December 2019 or January 2020, compared to December 2020. The Ministry noted that, where possible, future programs would be designed to better consider different sectors, different business sizes, and individual businesses' needs.</p> <p>According to the Ministry, due to the urgent need to respond quickly to the pandemic, there was limited time to engage businesses in the design of COVID-19 pandemic support programs.</p> <p>As part of Ministry program design or redesign, stakeholder needs/input is typically gathered through a consultation process. According to the Ministry, for future programs, outreach to the business community will be conducted when appropriate and reasonable within allocated time frames.</p> <p>The Ministry noted that future programs will be designed to clarify whether the grant is focused on individually owned small businesses/sole proprietors with one location, as opposed to business owners with multiple businesses and/or multiple locations.</p>
<p><b>Recommendation 4</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Public and Business Service Delivery ensure that third-party vendor personnel that are hired to assist with program delivery are accountable, professional, and appropriately trained to perform their duties. <b>Status: In the process of being implemented by March 2024.</b></p>	<p>The Ministry reviews call recordings with the vendor to deliver feedback, coaching and training (where required). In March 2023, the Ministry started using an advanced learning-management system that will support the tracking, training, and testing to address customer complaints, and improve communication between the vendor and Ministry staff.</p> <p>In order to reduce wait times, the Ministry is planning to increase real-time access to live agents and introduce call-back features during high-volume times by March 2024.</p>

Committee Recommendation	Status Details
<p><b>Recommendation 5</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Finance and the Ministry of Energy continue to recover funds paid to ineligible recipients under the Property Tax and Energy Cost Rebates Program.</p> <p><b>Status: Will not be implemented.</b></p>	<p>The Ministry of Finance and the Ministry of Energy have recovered approximately \$930,000 of ineligible payments (comprised of \$420,000 by the Ministry of Finance and \$510,000 by the Ministry of Energy). However, the total recovery of approximately \$930,000 is only about 5.8% of the total ineligible payments of over \$16 million. The Ministries of Finance and Energy told us that “the government will not pursue further recovery of the property tax and energy costs rebate made to ineligible recipients” due to the “significant challenges and global economic uncertainty businesses have faced over the past three years.” In June 2023, the Ministries of Finance and Energy received approval from the Lieutenant Governor for the write-off of ineligible payments.</p>
<p><b>Recommendation 6</b></p> <p>The Standing Committee on Public Accounts recommends that Ministry of Finance conduct an analysis of the low uptake of the Property Tax and Energy Cost Rebates, including the impact of federal business relief programs.</p> <p><b>Status: Fully implemented.</b></p>	<p>According to the Ministry of Finance (Ministry), it has completed an analysis, in coordination with the Ministry of Energy, of the lower-than-expected uptake of the Property Tax and Energy Cost Rebates program, including the impact of federal business relief programs. The analysis identified the following as potential contributors to the lower-than-expected program uptake:</p> <ul style="list-style-type: none"> <li>• The Ministry stated that it relied on the best available data to prepare estimates for funding needs; however, the dataset did not fully reflect the potential pool of eligible business applicants. As a result, it used a higher estimate of potential program uptake in order to ensure sufficient funding was available to meet the potential demands for the program.</li> <li>• The availability of other federal supports for the same expenses, particularly the Canada Emergency Rent Subsidy program.</li> <li>• There was a perception that the application process and documentation requirements of the rebates program were onerous.</li> </ul> <p>The Ministry of Finance and the Ministry of Energy are planning to incorporate the findings of this analysis in any future business support programs implemented by the Ministries. According to the Ministry, program feedback has already informed design of the subsequent COVID-19 business support programs, including the Ontario Business Costs Rebate Program and the Ontario Small Business Support Grant.</p>
<p><b>Recommendation 7</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade validate information reported by funding recipients in interim reports to ensure that the information is complete and accurate.</p> <p><b>Status: In the process of being implemented by January 2024.</b></p>	<p>The Ministry of Economic Development, Job Creation and Trade (Ministry) noted that staff now review the interim reports for completeness and validate them through conducting and documenting either onsite or virtual site visits. According to the Ministry, for the ongoing projects, the Ministry will review financial statements, conduct site visits (in person where safe to do so), and conduct media scans as part of the interim report review process. The Ministry told us that the new practice will be implemented starting January 2024.</p>

Committee Recommendation	Status Details
<p><b>Recommendation 8</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade:</p> <ul style="list-style-type: none"> <li>review and improve the Ontario Together Fund assessment criteria to require additional financial information or guarantees from applicants that are assessed as high financial risk; <b>Status: Fully implemented.</b></li> <li>monitor and mitigate changes to each project's overall risks during its lifecycle. <b>Status: Fully implemented.</b></li> </ul>	<p>The Ministry of Economic Development, Job Creation and Trade (Ministry) states that, in order to ensure that businesses participating in the Ontario Together Fund have the capacity to undertake projects, the Ministry requested additional financial information for projects that are assessed as high financial risk. The requirement of project financing was incorporated into the contracts with the applicants. For two recipients, the Ministry was able to obtain guarantees from the respective parent companies confirming that they would meet financing commitments in case of any cash shortfall from the applicants.</p> <p>Ministry of Economic Development, Job Creation and Trade (Ministry) staff monitor projects and project risk by conducting and documenting virtual site visits, including having the company provide a virtual tour of its facility when possible. According to the Ministry, the project monitoring guide provides guidance on assigning risk and follow up, as required. For four projects that were behind schedule, the Ministry increased its monitoring level based on interim site visits, and amending agreements with extensions were signed.</p>
<p><b>Recommendation 9</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade prevent further delays in Ontario Together Fund projects by using provisions in contracts, including clawback measures, to recover funds from recipients that are unlikely to complete projects. <b>Status: Fully implemented.</b></p>	<p>The Ministry of Economic Development, Job Creation and Trade (Ministry) had noted 19 projects that were eligible for clawbacks and holdbacks due to a shortfall in eligible project investment since the inception of the program. According to the Ministry, it had exercised clawbacks on all 19 projects. In addition, the Ministry demanded funds back from a company that was unlikely to complete a project.</p>
<p><b>Recommendation 10</b></p> <p>The Standing Committee on Public Accounts recommends that the Ministry of Economic Development, Job Creation and Trade review the rebate amount determination process that occurred during the Personal Protective Equipment Rebates program design, and apply lessons learned to similar programs in the future. <b>Status: Fully implemented.</b></p>	<p>According to the Ministry of Economic Development, Job Creation and Trade (Ministry), the grant was not designed to provide economic relief to businesses, but to encourage them to invest in personal protective equipment to protect their employees. Eligible expenses included gloves, masks, hand sanitizer, or other items for front-facing businesses with two to 19 employees. In our 2021 audit, we noted that the Ministry did not have a basis for setting the maximum grant amount at \$1,000. At the time of our audit, the Ministry did not provide a rationale for the amount other than to state that it “was an estimate made at the time to provide a reasonable level of urgent assistance to small businesses to offset unexpected PPE costs.”</p> <p>According to the Ministry, the funding amount aligned with measures called for by stakeholders, including the Canadian Federation of Independent Business and the Ontario Chamber of Commerce, as well as with amounts provided by other jurisdictions. The Ministry indicated that the lessons learned from the delivery of the grant will inform the design and delivery of any future similar support programs for businesses.</p>



Committee Recommendation	Status Details
<p><b>Recommendation 11</b></p> <p>The Standing Committee on Public Accounts recommends that the Treasury Board Secretariat facilitate proper oversight of the Province's COVID-19 spending by compiling COVID-19 program expenditure data from provincial ministries and report amounts spent against amounts authorized.</p> <p><b>Status: No longer applicable.</b></p>	<p>According to the Secretariat, as time-limited COVID-19 funding winds down, there is no need to present COVID-19 funding against actual spending.</p>
<p><b>Recommendation 12</b></p> <p>The Standing Committee on Public Accounts recommends that the Treasury Board Secretariat:</p> <ul style="list-style-type: none"> <li>• require ministries responsible for the economic support and recovery initiatives for Ontario's businesses to develop clear, measurable short and long-term objectives for the initiatives;</li> </ul> <p><b>Status: Fully implemented.</b></p> <ul style="list-style-type: none"> <li>• establish outcome-based performance measures based on the objectives;</li> </ul> <p><b>Status: Fully implemented.</b></p> <ul style="list-style-type: none"> <li>• publicly report on the results.</li> </ul> <p><b>Status: Little or no progress.</b></p>	<p>The Treasury Board Secretariat (Secretariat) noted that it was implementing the first phase of the Transfer Payment Performance Measurement Framework. According to the Secretariat, the Transfer Payment Performance Measurement Framework will require ministries to use a common central platform (Transfer Payment Ontario system) to report on program outcomes for all new time-limited and discretionary transfer payment programs (including economic support and recovery initiatives). All ministries were responsible for identifying existing performance measures that align with the framework and their plans to transition to Transfer Payment Ontario by June 2022. According to the Secretariat, all ministries have submitted their Transfer Payment Performance Measurement Framework implementation plans. In addition, in May 2022, the Secretariat revised/updated the business case template for in-year Treasury Board/Management Board of Cabinet requests that contained an updated "Ongoing Performance Monitoring and Evaluation" section for ministries to include performance measurement plans to demonstrate progress toward key objectives and outcomes.</p> <p>According to the Secretariat, full implementation of the Transfer Payment Performance Measurement Framework is an ongoing process during which all new programs are required to be compliant from program launch; and all existing programs are to be transitioned as transfer payment agreements are renewed. The Secretariat plans to continue to monitor the implementation of requirements for existing programs through implementation plans, which are submitted annually.</p> <p>According to the Secretariat, in alignment with 2022/23 reporting, ministries were directed to provide information in their 2022/23 annual reports regarding their performance/outcomes, including for programs in response to the COVID-19 pandemic.</p> <p>Although the Secretariat has recommended that ministries publicly report on performance measures, we saw no evidence of any public reporting of relevant performance measures by the Ministries of Economic Development, Job Creation and Trade, Finance or Energy in their annual reports as recommended by the Secretariat.</p>