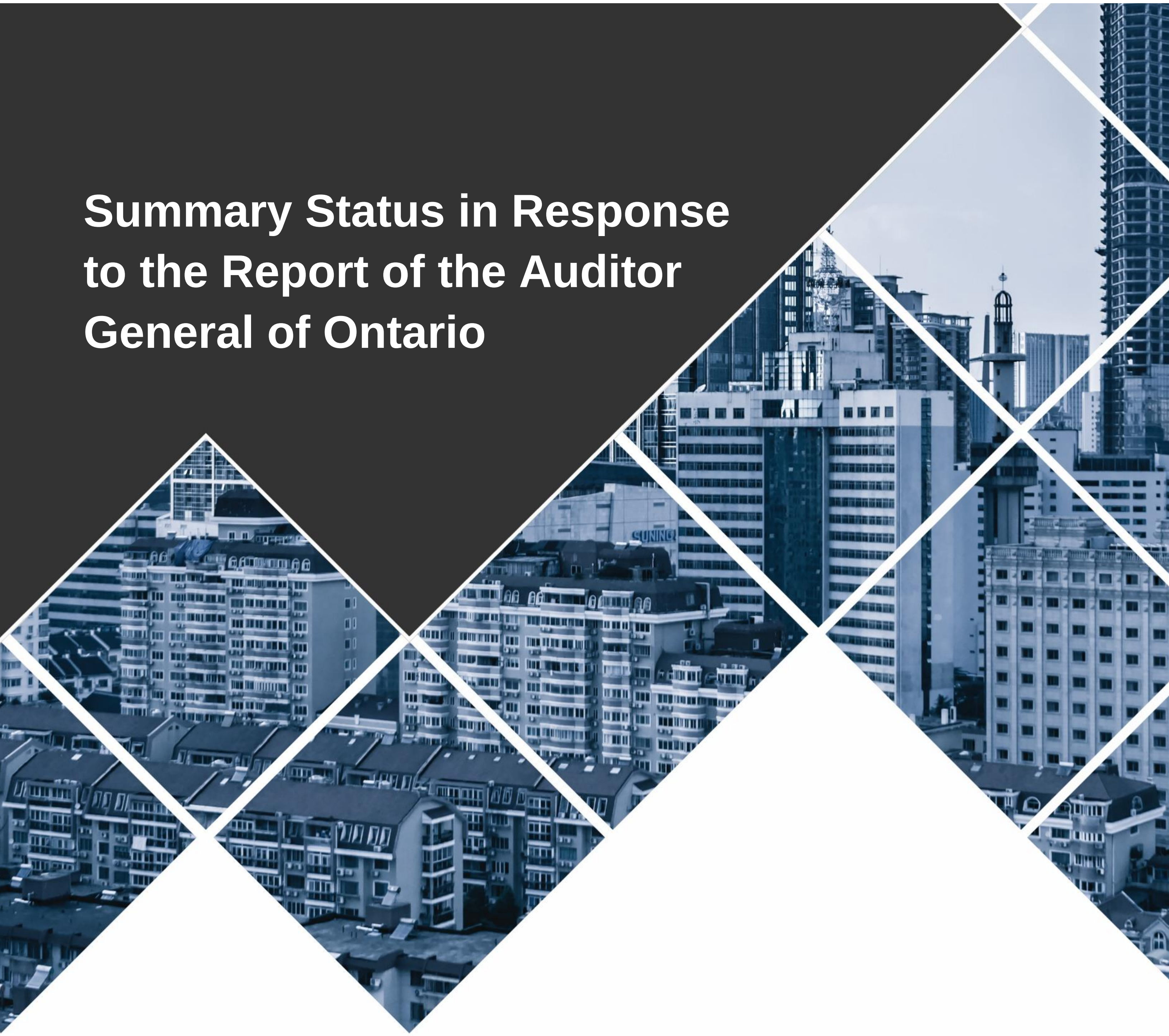
Summary Status in Response to the Report of the Auditor General of Ontario



COVID-19 Economic Response and Support for Businesses

December 2021 Auditor General Value for Money Audit

Ministry of Economic Development, Job Creation and Trade

Ministry of Finance

Ministry of Government and Consumer Services

Ministry of Energy

Treasury Board Secretariat

COVID-19 Economic Response and Support for Businesses

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Auditor Recommendation 1

To determine whether the Ontario Small Business Support Grant was effective in providing supports to small businesses that were impacted by public health restrictions, we recommend that the Ministry of Economic Development, Job Creation and Trade (MEDJCT), in collaboration with the Ministry of Finance (MOF), and the Ministry of Government and Consumer Services (MGCS), 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.

Completed Undertaking

Through the Ontario Small Business Support Grant (OSBSG), the Government successfully delivered $3 billion to more than 110,000 small businesses in Ontario. The nimble delivery, rigorous oversight and focus on continuous improvement that characterized the delivery of the OSBSG, ensured that struggling businesses were able to concentrate on getting their business back on track. Lessons learned from the OSBSG are being used to inform future emergency responses, as well as future economic support programs for Ontario's businesses.

Specifically, MEDJCT, MGCS & MOF have incorporated best practices and lessons learned from the OSBSG into subsequent grants, such as the Ontario Tourism and Travel Small Business Support Grant, launched in May 2021, Ontario Business Cost Rebate Program, launched in January 2022, and the Ontario Small Business Relief Grant, launched in January 2022 (to support eligible businesses that were subject to closure under modified Step Two of Roadmap to Reopen).

Such lessons include:

- Requirement for additional documentation to support applications, including increased application requirements to verify whether businesses met the eligibility criteria of the program;
- Applying strengthened IT system controls to all programs;
- Using proven User Experience design principles to create the application portal; and
- Providing user-friendly support products and materials such as instructional videos and frequently asked questions.

Example: Ontario Business Costs Rebate Program (OBCRP)

MOF, MGCS, and ENERGY have applied lessons learned from the OSBSG and the previous Property Tax and Energy Cost Rebates program into the design, implementation, and operations of the OBCRP. Lessons learned have focused on the need to develop a more robust and clear Program Guide for applicants to better understand eligibility requirements, in addition to strengthening pre-payment validation controls.

Features include:

- Businesses that were previously flagged as ineligible are identified up front through Transfer Payment Ontario (TPON), the enterprise-wide, web-based case management system for all of Ontario’s transfer payment (TP) programs;
- Reviewing all applications for the property tax component of OBCRP prior to payment to reduce the number of ineligible businesses that receive payments; and
- Additional validation/screening flags to alert case reviewers to potential issues (e.g., foreign IP address, duplicated legal name, and suspicious email addresses).

Outstanding Undertaking

MOF, MEDJCT, and MGCS have completed a review of lessons learned from the delivery of the Ontario Small Business Support Grant (OSBSG) that will be reported to the Ontario Jobs and Recovery Committee, or a similar Cabinet Committee, in the 2022-23 fiscal year.

Auditor Recommendation 2

So that property tax and energy cost rebates made to ineligible businesses are recovered on a timely basis, we recommend that the Ministry of Finance and the Ministry of Energy continue to recover funds paid to ineligible recipients.

Completed Undertaking

As of March 1, 2022 the Finance Ministry and the Energy Ministry had recovered approximately $870,000 from 231 applicants, or about 5.4% of ineligible payments.

As of March 1, 2022, 28 of the cases involving overpayments related to the TPON system error totaling $423,191 (over 77%) had been repaid with efforts to recoup the remainder.

Outstanding Undertaking

The Ministry of Finance and the Ministry of Energy will continue to recover ineligible payments using a collections approach that is fair and targeted in recognition that many businesses may still be recovering from the impacts of COVID-19.

Auditor Recommendation 3

So that the Ministry of Economic Development, Job Creation and Trade can effectively oversee the progress of projects approved under the Ontario Together Fund, we recommend that the Ministry validate information reported by funding recipients in interim reports to ensure that the information is complete and accurate.

Completed Undertaking

Fully Implemented and no further action planned

The ministry is committed to continuing to improve its processes to manage risk and protect funding. In June 2021, the Ontario Together Fund (OTF) funding agreement template was updated with a template for interim reporting and includes a requirement for companies to submit interim reports (for projects more than 4 months long).

Interim reports are reviewed by staff and validated through discussions with the company including virtual site visits, as needed. The ministry does not disburse funding following receipt of interim reports.

Given the short-term nature of the OTF projects (1 year) and given the requirement for an independent external auditor confirmation of expenditures at the end of the project, as well as a 40% holdback which is not paid until reports to the satisfaction of the ministry are provided, greater emphasis is placed on the final reporting.

Funding agreements are structured with safeguards to protect government funding and there are consequences if recipients do not complete their projects. This includes independent auditor validation of expenditures at the end of the project and a funding clawback mechanism if an organization does not meet its investment commitment.

Auditor Recommendation 4

So that funding under the Ontario Together Fund is awarded to businesses that have the capacity to complete their projects, we recommend that the Ministry of Economic Development, Job Creation and Trade:

- review and improve its assessment criteria to require additional financial information or guarantee from applicants that are assessed as high financial risk; and
- monitor and mitigate changes to each project's overall risks during its lifecycle.

Completed Undertaking

Fully Implemented and no further action planned

The ministry is committed to continuing to improve its processes to manage risk and protect funding. The ministry reviewed the Ontario Together Fund's (OTF) financial assessment criteria and its risk monitoring process, to seek ways to help further consider / mitigate financial risk.

On Risk Assessment and Financial Due Diligence

Applications are evaluated based on their alignment with the program criteria and provincial priorities while respecting taxpayer dollars. Proposals undergo rigorous financial and technical due diligence. Financial and technical due diligence evaluates risks associated with a company's working capital, management and delivery team, project technology and project completion. The ministry also draws on experience from external technical expert advisors to help assess how proposals will achieve the province's priorities. As recommended, additional financial information is being requested for high financial risk projects, as well as, when available, guarantees.

On monitoring overall risks of each project

Companies had to make significant changes to manufacturing lines in an uncertain economic environment. We believe companies made commitments to the province in good faith and with full intent to meet targets on time. However, given current circumstances (e.g., supply chain challenges, etc.), the province rightly has shown some flexibility in terms of extending project completion timelines for certain projects. Once approved, funding agreements are structured with safeguards to protect government funding and there are consequences if recipients do not complete their projects. A portion of the funding is flowed upfront, so companies have the cash flow they need to implement projects quickly. Some of the funding, generally 40%, is held back to ensure accountability. The ministry's agreements with OTF recipients have contract provisions that allow for clawback of the funds disbursed if the organizations do not meet their contractual obligations. Starting in June 2021, an interim reporting requirement was formally added to the funding agreement.

Auditor Recommendation 5

To prevent further delays in future Ontario Together Fund projects, we recommend that the Ministry of Economic Development, Job Creation and Trade use provisions in contracts, including clawback measures, to recover funds from recipients that are unlikely to complete projects.

Completed Undertaking

Fully implemented and no further action planned

Funding agreements are structured with safeguards to protect taxpayer dollars and there are consequences if recipients do not complete their projects. Funding agreements include a hold back of funds, clawbacks and default provisions should recipients not meet their commitments. The funding agreement includes a claw back provision, such that if a recipient falls short on the investment they committed to, there is a commensurate reduction in the funding provided.

The objective of the Ontario Together Fund was to get products out to Ontarians quickly, but also to build domestic production capacity to support the continued fight against this current pandemic, as well as building resiliency and capacity to deal with future pandemics. Given the significant impacts the global pandemic continues to have on supply chains, labour shortages and disruptions, and other uncertainties, we have permitted some flexibility regarding project completion timelines.

The majority of projects are expected to be completed successfully, with minimal additional time provided to address unforeseen challenges. The ministry will continue to assess project extension requests on a case-by-case basis and will determine if any reduction in funding is appropriate. Funding agreements generally have 40% holdbacks which are not paid until a company provides final reports, including an independent auditor certificate confirming expenditures have been incurred and paid.

Auditor Recommendation 6

So that actual, potential or perceived any conflicts of interest are identified prior to contracts being awarded to businesses under the Ontario Together Fund, we recommend that the Ministry of Economic Development, Job Creation and Trade, as part of the application and assessment process:

- review whether actual, potential or perceived conflicts of interest exist and determine whether or not funds should be recovered and if the contract should be disengaged; and
- reinforce the importance of applicants declaring any actual, potential, or perceived conflict of interest in their applications for funding.

Completed Undertaking

Fully implemented and no further action planned

The Ontario Together Fund (OTF) application assessment process is applied fairly and consistently to all applicant companies. MEDJCT is not aware of any facts or information, that participation in a government task force could constitute a conflict of interest. Government often engages business leaders to participate on task forces and committees. Participation on those task forces and committees, as well as application processes to ministry programs, are public and transparent.

The Ontario Together Fund guidelines have been updated to add reference to Conflict of Interest (COI) so that applicants are made aware of COI earlier. The ministry worked with its legal services to include company attestation regarding conflicts of interest in the application forms to reinforce that applicants need to disclose actual, potential or perceived conflicts of interest. Given that the ministry does not have full visibility on interests/activities of company officers, the onus is on the recipient to report as it relates to them. No companies have reported a COI.

Auditor Recommendation 7

To facilitate proper oversight in the province's COVID-19 spending, we recommend that the Treasury Board Secretariat compile COVID-19 program expenditure data from provincial ministries and report amounts spent against amounts authorized.

Completed Undertaking

Since the beginning of the COVID-19 pandemic the government has been transparent about its finances, being the first jurisdiction in Canada to release a fiscal plan that reflected the potential impacts of the pandemic. The recently released 2021 Ontario Economic Outlook and Fiscal Review is the seventh financial update since the pandemic began, highlighting the government's commitment to provide regular updates on Ontario's finances, even during this uncertain economic period.

Existing public fiscal publications (i.e., the Budget, Economic Outlook and Fiscal Review, and Quarterly Finances) include significant updates on COVID-19 spending projections on an aggregate basis. These are informed by quarterly ministry reporting. These publications provide updates to current initiatives, announce new initiatives, update the public on the fiscal and economic outlook, and are informed by quarterly ministry reporting. Sector information on actual spending, including narrative on COVID-19 specific spending, is included in the 2020/21 Public Accounts. The Secretariat will continue to leverage existing processes to track the expenditure of authorized funding of COVID-19 economic supports.

The recently released 2021-22 Third Quarter Finances, which is informed by quarterly ministry reporting, is the eighth financial update since the pandemic began, highlighting the government's commitment to provide regular updates on Ontario's finances, even during this uncertain economic period.

Outstanding Undertaking

Treasury Board Secretariat will continue to leverage existing processes to track the expenditure of authorized funding of COVID-19 economic support. The government will continue to provide regular updates on Ontario's finances with the upcoming 2022 Budget to be released by April 30, 2022 followed by the 2022-23 First Quarter Finances to be released by August 15, 2022.

Auditor Recommendation 8

So that the Province of Ontario can assess the effectiveness of its COVID-19 economic support and recovery initiatives for businesses, we recommend that the Treasury Board Secretariat 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;

- establish outcome-based performance measures based on the objectives; and
- publicly report on the results.

Completed Undertaking

Treasury Board Secretariat welcomes the Auditor General's recommendations and is committed to working with ministries to ensure they develop measurable short- and long-term objectives for programs/initiatives and establishing outcome-based performance measures. Ministries are responsible for the collection of information to monitor the programs'/ initiatives' performance.

Several Secretariat-led activities are already under way to further support performance measurement and evidence-based decision-making.

First, the Secretariat is implementing a Transfer Payment Performance Measurement Framework that will support granting ministries to develop stronger outcome-based performance measures for time-limited and discretionary transfer payment programs.

Second, the Secretariat is implementing a plan to proactively work with line ministries to improve the development of performance-monitoring plans and quantifiable performance measures in the business cases they prepare for Treasury Board/ Management Board of Cabinet.

In addition, the important role that program/ initiative-specific indicators play in business cases will form a portion of a new formal training program that is currently in development for Secretariat and line ministry staff.

Performance Measurement Framework Updates

TBS is implementing the first phase of the Transfer Payment Performance Measurement Framework where ministries are required to use a common central platform (Transfer Payment Ontario) to report on program outcomes for all new time-limited and discretionary transfer payment programs staring on April 1, 2022. This includes economic support and recovery initiatives that are delivered through these types of transfer payment programs. In addition, Ministries are responsible for identifying existing performance measures that align with the framework and their plans to transition collection to Transfer Payment Ontario by June 2022.

In-year business case template and guide updates:

TBS is preparing to launch updates to the business case template for in-year Treasury Board/Management Board of Cabinet requests, including an updated ‘Ongoing Performance Measurement and Evaluation’ section for ministries to include performance measures, outcomes, data sources and other details.

New formal training program

TBS developed the Treasury Board/Management Board of Cabinet submissions 101 learning module which has been presented to over 2400 staff working at TBS and other Ontario Ministries. This hour-long presentation provides an explanation of importance of strong business cases to Treasury Board/Management Board of Cabinet, provides advice on how to build effective Treasury Board/Management Board of Cabinet submissions, and highlights what TBS staff look for when reviewing submissions.

Outstanding Undertaking

Performance Measurement Framework Updates

TBS will continue to work with ministries to move towards full implementation of outcomes reporting for time-limited and discretionary transfer payment programs on Transfer Payment Ontario, based on the implementation plans that are due in June 2022.

In-year business case updates:

The updated templates are expected to be in use by Summer 2022

New formal training program:

Development of training on advanced topics such as performance measures is underway and is expected to be delivered to staff at TBS and partner Ministries during 2022.