



# COVID-19 Economic Response and Supports for Businesses 2021 Value-for-Money Audit

## Why we did this audit

- The COVID-19 pandemic had a significant impact on Ontario businesses.
- By January 2021, Statistics Canada reported that only one-third of Ontario businesses had remained fully operational during the pandemic.

## Why it matters

- The province has invested significant amounts to help mitigate the impacts of COVID-19 on businesses.
- As of March 31, 2021, provincial ministries had received funding for and approval to spend \$36.5 billion on COVID-19 initiatives. About \$11.2 billion or one-third were supports for businesses.
- The accommodation and food services, other services, and arts, entertainment and recreation sectors had the largest percentage of businesses that had decreased revenues in 2020 compared with 2019.

## What we found

### Province's COVID-19 Economic Response Lacked Good Consultation and Documentation

- Stakeholders that were consulted about program development or support were not those most impacted.
- The province did not communicate the rationale for restrictions to businesses.
- Businesses did not have sufficient time to prepare when the province tightened or relaxed restrictions.
- There is no documentation of discussions about province's economic response or essential business list by supporting Tables and Committees.

### Millions for Ontario Small Business Support Grant Paid to Ineligible Businesses

- Businesses found the program's purpose and application requirements unclear and confusing.
- Some hard-hit businesses were not eligible for supports due to the criteria design (e.g. laundromats, drycleaners, personal services)
  - Only businesses that were required to close or restrict services due to the province-wide shutdown were eligible for supports. Other businesses that nonetheless experienced significant revenue declines did not receive supports.
- The program lacked proper controls to identify potentially ineligible businesses.
  - Approximately \$210 million was paid to 14,500 ineligible businesses and written off with no attempt to collect; another roughly \$6 million was paid to 212 potentially ineligible businesses is still under investigation. No attempts are being made to recover the payments totaling \$210 million.
- Grant amounts were based on information unreflective of business revenue lost. Some businesses received more than they lost. Over 51,000 recipients received more than \$939 million in grants in comparison to their total reported losses of \$225 million; or \$714 million more.

## RECOMMENDATIONS 1, 2

**About 38% of Approved Property Tax and Energy Cost Support Paid Out**

- As of July 31, 2021 when the program ended, only \$340 million had been paid to approximately 31,000 businesses out of \$905 million approved and allocated to the Finance and Energy ministries.
- \$16 million (\$15.1 million net of recoveries) was paid to over 3,000 ineligible recipients due to the manual design of IT controls, leading to human error. A system calculation error also caused ineligible payments.

**RECOMMENDATION 3**

**Insufficient Monitoring of Ontario Together Fund Projects**

- Businesses submitted interim progress reports to the Ministry near or at the project's halfway mark, but reporting was inconsistent and was not mandated initially.
- Contract worth \$1.8 million was still awarded to a business that the Ministry flagged had financial risk that went bankrupt eight months later.
- Over one-quarter of funded projects (15 out of 54) for manufacturing personal protective equipment and other goods and equipment have been delayed due to supply chain disruptions, delayed permits, procurement issues, etc.
- Perceived conflicts of interest were not identified nor disclosed in two situations we noted.

**RECOMMENDATIONS 4-7**

**Application Volumes Short for Maximum Main Street Relief Grant for PPE**

- No basis was provided for setting the \$1,000 grant maximum.
- Only 18% of budgeted commitments of \$65 million were actually paid out when the program ended. As of July 31, 2021, 13,870 applications were approved for grant funding; recipients received \$11.6 million.

**Digital Transformation Grants Assisted Businesses**

- The program was first created in 2016 and enhanced through the years.
- Systems and processes established in previous versions of the program contributed to ease of delivery of \$2.74 million paid to businesses.

**Objectives of Support Not Set, Funds Not Tracked**

- The province had no short- or long-term objectives for Ontario's Action Plan for responding to COVID-19 and had not set goals for its \$11.2 billion in business economic supports.
- The province did not know how much approved funding has been provided to businesses, as there was no centralized tracking process.
- Ministry progress reports did not contain information about program outcomes, and outcomes were not publicly communicated; there has been limited public information about program results.

**RECOMMENDATIONS 8, 9**

**Conclusions**

- The province cannot determine whether its programs are effective in helping businesses because outcome-based measures were not established, nor did the province set short- and long-term objectives for its suite of economic support programs for businesses.
- Despite the significant amount of commitments and spending related to COVID-19 economic supports, the province had not put in place processes to track how much of the authorized funding has been spent. As a result, the province does not know how much of the supports it committed to providing businesses have actually been distributed to the intended recipients.
- As a consequence of speeding up the delivery of programs once a funding decision was made, the ministries did not design effective and efficient systems and procedures to deliver cost-effective programs to only eligible recipients to support Ontario's economy during the COVID-19 pandemic.
- In two of the programs we audited, controls and processes were often either missing or ineffective for discerning true eligibility and need. As well, in one program, supports were sometimes not provided in the appropriate proportion, or to qualified recipients only.