

**REPORT ON PROGRESS: 35<sup>th</sup> REPORT OF THE  
STANDING COMMITTEE ON PUBLIC ACCOUNTS – 44<sup>th</sup> PARLIAMENT, 1<sup>st</sup> SESSION  
(RESPONSE TO RECOMMENDATION 5)**

**INTRODUCTION**

On behalf of the Government of Canada, on April 10, 2024, the Minister of National Revenue tabled the Government's Response to the recommendations contained in the 35<sup>th</sup> Report of the Standing Committee on Public Accounts entitled: *Specific COVID-19 Benefits*.

As requested, the Canada Revenue Agency (CRA) is pleased to provide a progress report related to Recommendation 5 (specifically, quarterly reports presenting statistics on the number of post-payment verifications conducted for the COVID-19 benefit programs for the previous quarter).

**Recommendation 5:**

*"On verifications and collections; That the Canada Revenue Agency and Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts:*

- no later than 29 February 2024, a report explaining the changes to their verification plans, including a costed justification (potential costs and benefits to the taxpayers) for not pursuing all potentially ineligible applications, and a cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was under Statistics Canada's After-Tax Low Income cut-offs at the time of their demand, who received individual benefits, but were then found to be ineligible according to the Canada Revenue Agency or Employment and Social Development Canada;*
- no later than 29 February 2024, a report showing statistics on the number of post-payment verifications conducted for the COVID-19 benefit programs up to 31 December 2023, for each of the individual programs and for the Canada Emergency Wage Subsidy, as well as the amounts paid to ineligible recipients, the amounts collected, and the number of ineligible recipients according to the Canada Revenue Agency or Employment and Social Development Canada, and those subject to such collections; and*
- quarterly reports presenting these same statistics for the previous quarter by 31 August (1st fiscal quarter – April through June), 30 November (2nd quarter – July through September), 28 February (3rd quarter – October through December), and 31 May (4th quarter – January through March), beginning on 31 May 2024 and ending on 28 February 2026."*

**Government Response (as tabled on April 10, 2024):**

*"The Government of Canada acknowledges this recommendation. The information in the following paragraphs represents the 29 February 2024 reports requested by the Committee for recommendations 5.1 and 5.2. As requested, for recommendation 5.3, the CRA will also submit a quarterly report to the Committee from 31 August 2024 until 28 February 2026.*

*The CRA's and ESDC's verification plans for the suite of COVID-19 individual support payments has undergone revisions since the last update tabled on May 31, 2023, and may continue to change in the future as the CRA and ESDC strives to remain agile and adaptive to emergent risks and as additional compliance results become available.*

*As of December 31, 2023, the CRA has completed the verification of ~544,000 individuals, representing 62% of the total 875,000 objective of the plan. In addition, the CRA currently has ~203,000 underway at varying degrees of completion. The completed verification includes individuals that were incarcerated while in receipt of one or more of the emergency and recovery benefits. The CRA anticipates completion of these projects by mid-2024-2025.*

*In order to complete the remaining reviews to reach the 875,000 verifications, the CRA developed a composite risk model to assess 7.2 million unique benefit recipients across the emergency and recovery benefit programs, allowing recipients with the highest risk of ineligibility to be selected for a review. This risk model leverages data analytics and intelligence capabilities to establish a multi-risk factor for each individual as a basis to establish CRA's Plan for Post-Payment Verifications.*

*In fiscal year 2022-2023, ESDC's EI-ERB post-payment verification activities focused mainly on confirming compliance with the qualifying income eligibility requirement. ESDC leveraged its data analytics and intelligence capabilities to assess all EI-ERB applications using a variety of risk parameters and is currently employing a risk-based approach that focuses on the highest*

risk files and the greatest dollars at risk. In the fall of 2023, ESDC began post-payment verification activities to confirm compliance with the earnings while on claim eligibility requirement. This work will continue into fiscal year 2024-2025. As of December 31, 2023, 77,353 EI-ERB post-payment verifications have been completed, representing 49% of the total 157,000 workload and an estimated overpayment value of \$250 million dollars. As of the same date, \$133.9 million in overpayments has been recovered.

The CRA and ESDC continue to work with benefit recipients to help them provide the necessary documents to support their eligibility during both the review and recourse process. Plans will remain evergreen and will continue to be adapted as delivery of post-payment verifications remain ongoing.

Recommendation 5.1 requests a costed justification for not pursuing all potentially ineligible applications. The CRA administers the COVID-19 benefits for individuals on behalf of ESDC who established the total volume of reviews at 875,000. ESDC has established a target of 157,000 reviews.

The International Public Sector Fraud Forum advises stewards of public funds to carry out targeted post-payment verification, and the CRA and ESDC strives to adhere to the forum's principles. For this reason, the CRA and ESDC designed comprehensive compliance programs for COVID-19 benefits, which considers socio-economic factors and applies risk assessment tools. A risk-based approach allows for exclusion of vulnerable populations and the selection of the most high-risk cases and therefore the greatest probability of ineligibility. The CRA and ESDC have determined that reviewing all files or all potentially ineligible files would not be cost effective and would lead to a low rate of return and would not align with the Government's commitment to uphold sound stewardship of public funds.

Further integrity work is planned to continue until 2025, with a projected cost of \$707 million encompassing fiscal year 2020-21 to 2025-26. The CRA plans to review a total of approximately 875,000 recipients of all COVID-19 income support benefits for individuals, in addition to double dipper (individuals who received COVID-19 benefit payments from both the CRA and Service Canada with respect to the same period) reviews. These figures include validation costs and the associated downstream impact costs to collections and recourse for work completed and estimated to be completed for CERB, CESB, CRB, CRCB, CRSB and CWLB. ESDC received \$114.3 million in funding encompassing fiscal years 2021-22 to 2024-25 to complete post-payment verification of EI-ERB claims. The ESDC amount only includes costs for performing post-payment verifications.

While it is impossible for the CRA to determine ineligibility without reviewing a payment manually, the OAG identified potential overpayments and ineligible amounts across all programs (CERB, EI-ERB, CRB, CRCB, CRSB and CWLB). The OAG identified \$4.6B in overpayments to ineligible recipients (advance EI-ERB payments and so called "double dippers") in Exhibit 10.9 of Report 10 – Specific COVID-19 Benefits. All of these cases will be reviewed.

The OAG identified a further \$12.1B of payments that should be investigated further in Exhibit 10.9, as well as an additional \$2.2B of payments for investigation in Annexes A – E. Overall, Report 10 identified ~\$14.3B in payments that should be investigated further by the CRA and ESDC.

The CRA estimates that it will have reviewed approximately \$17.5B in individual benefit

payments once it has completed the planned 875,000 reviews.

Overall, the CRA estimates that its verifications alone (excluding those of ESDC for EI-ERB) will exceed the dollar value of potentially ineligible benefits received by individuals (as identified in the OAG report) by almost \$3.2B. That is 22% more coverage than the amount of potentially ineligible payments requiring further investigation identified by the OAG.

In addition, ESDC has completed about 49% of its planned verifications, representing approximately \$250M in ineligible payments.

A cost estimate for a COVID-19 benefit repayment amnesty for Canadians whose income was below the Statistics Canada's After-Tax Low-Income Cut-offs (LICO) at the time of their demand, as requested in recommendation 5.1, is a complex query. The CRA and ESDC are unable to provide a cost estimate. Costs would be driven by the volume of individuals who fall under the mechanism used to enact an amnesty (ex. remission order), which would require a remission order and the processing costs associated with the implementation.

As well, it would be operationally complex to apply the LICO cut-offs in context of considering a benefit repayment amnesty for various reasons. First, the definition of family employed in the LICO differs from the way the CRA systems connect individuals. While the CRA systems connect married and common-law couples and connect a parent with their under-age children, it does not connect family members as is the case for LICO that use a broad definition of family including co-habiting siblings or multi-generational households.

Second, the types of income used in the LICO calculation are broad and less generous than the approach used by CRA. The LICO cut-offs includes taxable and non-taxable income such as employment, self-employment, employment insurance, and Canada Pension Plan. However, unlike the COVID-19 emergency benefits, it also incorporates government transfers, including the Canada Child Benefit, GST credit/HST credit, and the COVID-19 individual benefits.

Accurate use of the LICO table for the purposes of amnesty would require the CRA to use the same method to calculate income and family size used by Statistics Canada which poses challenges based on CRA system limitations. Third, assessment for amnesty would likely not be responsive to individual circumstances as specific income thresholds would need to be set irrespective of specific vulnerabilities of an individual. For instance, utilization of LICO data would create situations where individuals in close proximity, but in different community size (based on postal code) would have different qualification thresholds for an amnesty.

Finally, if the Government of Canada were to develop an amnesty program related to a determined income level, there would be also considerable administrative costs of implementation depending on the parameters of the program. Further, future verification efforts would be adjusted to avoid verifications of individuals who would qualify for an amnesty.

In contrast to a blank amnesty approach, as the administrator for the collection of COVID-19 debts, the CRA currently follows ESDC direction of implementing flexible payment arrangements for all COVID-19 individual debtors based on their ability to pay. This helps ensure that those vulnerable individuals whose basic necessities of life are not being met and are found to be ineligible for these benefits are not placed into financial hardship, while those who have capacity to repay are provided options in alignment with their capacity. These include allowing for zero interest or penalties, low-monthly payment plans, partial or full reversal of any tax or benefit offset, and in situations where an individual may be facing financial hardship,

deferral or write-off of their debts. If, based on CRA's analysis of the information available, the client's situation is unlikely to improve, the CRA arranges to write-off the debt based on financial hardship. However, there are cases where an individual may have low or even negative income and have capacity through their assets to repay the debt.

The Government Response encompasses both the COVID-19 individual support payments (CERB, EI-ERB, CRB, CRCB, CRSB, and CWLB) and the Canada Emergency Wage Subsidy for employers (CEWS). For ease of reference, the response to recommendation 5.2 has been divided between the individual support payments and the CEWS.

### **Individual Benefits Administered by CRA**

While the CRA does not review individuals by benefit program, the CRA can confirm that as of December 31, 2023, verifications have been completed for a total of 544,000 individuals, representing 62% of the total 875,000 planned workload. This figure includes both pre-validation and post-validation reviews. Of the 544,000 individuals reviewed, approximately 450,000 were found ineligible for at least one benefit payment. While the CRA has conducted some targeted work that reviews specific eligibility criteria for a particular benefit, many of the reviews conducted involve reviewing multiple benefits at one time. It is important to note that the ineligibility rate cannot be projected on the entire population that received COVID-19 benefits.

The table below provides information regarding the eligible/ineligible reviews by benefit type and those that are still under review. It should be noted that this does not include reviews of EI-ERB advance payments, nor those that received both CERB and EI-ERB in the same period (double dippers). Future planned verifications (totaling 128,000) would add up to \$3.3B to this total, totaling the ~\$17.5B, however the CRA cannot provide a breakdown by benefit type until the verifications are complete.

<b>Programs</b>	<b>\$ Eligible</b>	<b>\$ Ineligible</b>	<b>\$ Under Review</b>	<b>\$ Total Reviewed</b>
<b>CERB</b>	\$1.88B	\$3.28B	\$2.02B	\$7.19B
<b>CESB</b>	\$0.11B	Negligible	\$0.01B	\$0.12B
<b>CRB</b>	\$1.30B	\$3.06B	\$0.40B	\$4.76B
<b>CRCB</b>	\$0.29B	\$1.35B	\$0.09B	\$1.74B
<b>CRSB</b>	\$0.06B	\$0.20B	\$0.01B	\$0.27B
<b>CWLB</b>	\$0.03B	\$0.06B	\$0.01B	\$0.09B
<b>Total</b>	<b>\$3.67B</b>	<b>\$7.96B</b>	<b>\$2.55B</b>	<b>\$14.17B</b>

As of December 31, 2023, approximately \$1.9B in COVID-19 individual benefit programs has been paid back by recipients.

A breakdown of recovered amounts by individual benefit type is provided below:

<b>COVID-19 benefit</b>	<b>Total Recovered by CRA (\$)</b>
<b>CERB</b>	\$1,577,186,594
<b>CESB</b>	\$36,082,055
<b>CRB</b>	\$245,481,974
<b>CRCB</b>	\$45,054,821
<b>CRSB</b>	\$20,996,214
<b>CWLB</b>	\$6,784,250
<b>Total</b>	<b>\$1,931,585,908</b>

The CRA is sensitive to the hardship that Canadians may still be facing as a result of the COVID-19 pandemic and payment arrangements have been expanded to allow the repayment of debt over a longer period of time. This approach takes into account the individual financial circumstances of the person and may include deferral of debt for those who cannot repay at that time.

The CRA has a progressive collection model to ensure all reasonable efforts to recover COVID benefit debts are made. However, when COVID benefit debts remain unpaid, the CRA follows a process of responsible enforcement. We are sensitive to Canadians who have financial difficulty and work with them to make payment arrangements based on their ability to pay. This is achieved through telephone contact and written correspondence. However, for those who seek to avoid payment of amounts due, the Agency takes firm and responsible action. If it is determined that a taxpayer has the ability to pay in full and the debt remains unpaid with no acceptable payment arrangement, the CRA may take legal action to collect the debt. This includes actions such as offset of future refunds and credits, garnishment of wages or other income sources, or use of any other means under any applicable statutes or laws to collect an amount owing.

**Employment Insurance Emergency Response Benefit (EI-ERB) – Administered by ESDC**

ESDC can confirm that as of December 31, 2023, 77,353 EI-ERB post-payment verifications have been finalized, representing an estimated overpayment value of \$250 million dollars. EI-ERB post-payment verifications will continue in fiscal year 2024-2025. As of the same date, \$133.9 million in overpayments has been recovered.

The following table provides the statistics requested in recommendation 5.2 regarding ESDC's EI-ERB post-payment verifications and recoveries. The data is cumulative from the start of post-payment activities. Please note that the statistics does not include ESDC efforts to reconcile recovery of lump sum payments.

As of December 31, 2023, 125,457 debts have been established representing an overpayment value of \$494M. To date, 53,805 debtors have repaid in full representing a dollar value of \$112.9M and 20,466 debtors have partially repaid, representing \$20.9M; for a total repayment of \$133.9M.

Amounts repaid include voluntary payments, EI recoupments if the debtor is in receipt of benefits, collection activities performed by CRA, including negotiated payment arrangements and CRA offsets.

EI-ERB post-payment verifications and recovery will continue throughout fiscal year 2024-2025.

<b>As of December 31, 2023</b>		
<b>Category</b>	<b># of Unique Debtors</b>	<b>Amounts Repaid</b>
<b>Partially repaid debts</b>	20,466	\$20,982,270
<b>Fully repaid debts</b>	53,805	\$112,890,763
<b>Total</b>	<b>74,271</b>	<b>\$133,873,063</b>

**Canada Emergency Wage Subsidy (CEWS) – Administered by the CRA**

The following table provides the statistics regarding the CRA's post-payment verifications on the CEWS. The data is cumulative from the start of post-payment compliance activities, and does not include the CRA's pre-payment compliance efforts, or cases where the claimant proactively reduced their claims.

For the purposes of this report, "post-payment verifications" encompasses both post-payment audits and post-payment validations. While these two compliance programs may differ in delivery, they were developed with the objective to maintain the integrity of the COVID-19 benefit programs and were undertaken using a risk-based approach which aligns with international best practices and existing compliance programs.

For the purposes of this report, an "ineligible recipient" is defined as an employer who was not eligible for any CEWS amounts; this means all the applicant's claim amounts were denied in full by the CRA following compliance action. It is important to note that this categorization also includes cases where the claimant failed to provide documentation requested by the CRA to support their claim. In such cases, eligibility could not be confirmed; the determination of ineligibility may be reversed should the claimant provide the necessary supporting documentation while exercising their recourse rights.

<b>As of December 31, 2023</b>		
<b>Canada Emergency Wage Subsidy (CEWS)</b>	<b># of Unique Applicants</b>	<b>Claim amounts</b>

<b>Post-payment audit</b>	3,471	\$10.2B
<b>Post-payment validations</b>	29,704	\$1.2B
<b>Post-payment verifications completed</b>	33,175	\$11.4B
<b>Claimants and claim amounts denied in full (ineligible recipients)</b>	1,010	\$197M

*As of December 31, 2023, approximately \$1.55B in Canada Emergency Wage Subsidy has been collected as a result of collection activity. Includes the wage portions of Canada Recovery Hiring Program (CRHP), Tourism and Hospitality Recovery Program (THRP), Hardest-Hit Business Recovery Program (HHBRP) debts.*

*As stated in the Auditor General's Report 10 – Specific COVID-19 Benefits and in the CRA's Canada Emergency Wage Subsidy – Post-payment audits – Status Update – March 2023, (the latter tabled with PACP) a more definitive estimate of payments made to ineligible recipients, as required for recommendation 5.2, and amounts to be recovered by the government will only be determined after the CRA has completed all post-payment verification activities. Note that, through risk assessment and internal leads, the CRA has identified a subset of claimants that are suspected of willful and/or aggressive non-compliance, including certain third-party preparers of potentially ineligible business subsidy claims. The CRA will continue to review identified cases of aggressive non-compliance.*

*The CRA and ESDC acknowledges recommendation 5.3. However, please note that quarterly reporting may not always allow sufficient progress to occur between each quarterly report with regard to analysis and data reports on the findings of its post-payment verification activities of COVID-19 benefits. As such, it is possible that some quarterly reports may indicate that the data and analysis has remained unchanged or somewhat unchanged from the previous quarterly report.”*

**Report on Progress (May 31, 2024):**

As requested, the CRA is pleased to provide a progress report related to Recommendation 5 (specifically, quarterly reports presenting statistics on the number of post-payment verifications conducted for the COVID-19 benefit programs for the previous quarter).

*Individual Benefits – Administered by CRA*

As of March 31, 2024, verifications have been completed for a total of 700,000 individuals, representing 80% of the total 875,000 planned workload. This figure includes both pre-validation and post-validation reviews. Of the 700,000 individuals reviewed, approximately 596,000 were found ineligible for at least one benefit payment.

It is important to note that the ineligibility rate cannot be projected on the entire population that received COVID-19 benefits.



The table below provides information regarding the eligible/ineligible reviews by benefit type and those that are still under review. It should be noted that this does not include reviews of EI-ERB advance payments, nor those that received both CERB and EI-ERB in the same period (double dippers).

<b>Programs</b>	<b>\$ Eligible</b>	<b>\$ Ineligible</b>	<b>\$ Under Review</b>	<b>\$ Total Reviewed</b>
<b>CERB</b>	\$1.86B	\$5.01B	\$0.42B	\$7.29B
<b>CRB</b>	\$1.33B	\$3.28B	\$0.24B	\$4.85B
<b>CRCB</b>	\$0.30B	\$1.41B	\$0.05B	\$1.76B
<b>CRSB</b>	\$0.06B	\$0.21B	\$0.01B	\$0.28B
<b>CWLB</b>	\$0.03B	\$0.06B	\$0.01B	\$0.10B
<b>CESB</b>	\$0.11B	Negligible	\$0.01B	\$0.12B
<b>Total</b>	<b>\$3.69B</b>	<b>\$9.97B</b>	<b>\$0.74B</b>	<b>\$14.40B</b>

As of March 31, 2024, approximately \$2.1 billion in COVID-19 individual benefit program debt has been paid back by recipients. A breakdown of recovered amounts by individual benefit type is provided below:

<b>COVID-19 benefit</b>	<b>Total Recovered by CRA (\$)</b>
<b>CERB</b>	\$1,712,730,728
<b>CESB</b>	\$36,269,911
<b>CRB</b>	\$293,534,883
<b>CRCB</b>	\$49,933,883
<b>CRSB</b>	\$22,323,339
<b>CWLB</b>	\$7,302,285
<b>Total</b>	<b>\$2,122,095,032</b>

*Canada Emergency Wage Subsidy (CEWS) – Administered by the CRA*

The following table provides the statistics regarding the CRA's post-payment verifications on the CEWS.

<b>As of March 31, 2024</b>		
<b>Canada Emergency Wage Subsidy (CEWS)</b>	<b># of Unique Applicants</b>	<b>Claim amounts</b>
<b>Post-payment audit</b>	4,213	\$12.7B
<b>Post-payment validations</b>	46,516	\$1.9B
<b>Post-payment verifications completed</b>	50,729	\$14.6B
<b>Claimants and claim amounts denied in full (ineligible recipients)</b>	1,837	\$279M

As of March 31, 2024, approximately \$1.59B in CEWS has been recovered (includes the wage portions of Canada Recovery Hiring Program, Tourism and Hospitality Recovery Program, Hardest-Hit Business Recovery Program debts).