

Employment and Social Development Canada

Employment Insurance Emergency Response Benefit

Post-Payment Verification Progress Report

Progress Report to the Standing Committee on Public Accounts
For submission May 31, 2024

The Department of Employment and Social Development Canada (ESDC) is pleased to provide its second progress report on the results of its Employment Insurance Emergency Response Benefit (EI ERB) post-payment verification activities.

The progress report satisfies two recommendations from the Standing Committee on Public Accounts (PACP), namely:

- **Recommendation 2** from the 6th Report of the Standing Committee on Public Accounts entitled: *Report 6, Canada Emergency Response Benefit, of the 2021 Reports of the Auditor General of Canada*, tabled in the House of Commons in February 2022.
- **Recommendation 5** (5.2 and 5.3) from the 35th Report of the Standing Committee on Public Accounts entitled: *Specific COVID-19 Benefits*, tabled in the House of Commons on December 12, 2023.

Recommendation 2:

“That by 31 May 2022, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with an interim report on the preliminary findings of its post-payment verification work for the Canada Emergency Response Benefit, including amounts recovered; that two other interim reports be provided by 31 May 2023 and by 31 May 2024; and that a final report be provided by 31 May 2025.”

Government Response to Recommendation 2 (as tabled on June 8, 2022):

“With respect to Recommendation 2, ESDC agrees and will provide to the House of Commons Standing Committee on Public Accounts interim reports on the preliminary findings of its post payment verification work for the CERB, including amounts recovered. ESDC began following up on high-risk flags, including those requiring identity validation, by summer 2020; however, ESDC was only able to begin investigations into compliance with benefit criteria in March 2022. Similar to the CRA’s situation, ESDC has limited results to report at this time. ESDC will be in a position to provide the committee with an interim report by May 31, 2023. This will be followed by

another interim report to be provided by May 31, 2024, with a final report provided by May 31, 2025”.

Recommendation 5:

That the Canada Revenue Agency and Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts:

- **Recommendation 5.2:** “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”
- **Recommendation 5.3:** “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 to Recommendation 5 (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.”

PROGRESS REPORT

During the COVID-19 pandemic, the Government of Canada pivoted quickly to provide access to income support to millions of individuals using an attestation-based approach to the Canada Emergency Response Benefit (CERB). The attestation-based application process approved by Parliament was the only effective way to provide money quickly to eligible workers. This process is an acknowledged best practice by the International Public Sector Fraud Forum when providing rapid supports.

ESDC's approach to EI ERB integrity included limited up-front controls, but instead focused efforts on detection, disruption and prevention of fraud, reconciliation activities related to the advance lump-sum payment and post-payment verification activities to identify cases of non-compliance with program eligibility requirements.

Risk-Based Approach

The Government was fully aware of the risks associated with the attestation-based application process. The approach was balanced by a risk-based integrity framework focused on post-payment verifications. As part of the 2020 Fall Economic Statement (FES), the Government of Canada announced \$260.4 million over four years for ESDC and the CRA to increase their respective capacities to detect, investigate and address cases of error, misrepresentation/abuse and fraud related to the CERB and the EI ERB.

The Department developed a comprehensive EI ERB four-year post-payment verification plan (2021-22 to 2024-25) and committed to completing 157,000 post-payment verifications over the four-year period.

The Department leveraged its data analytics and intelligence capabilities to assess all EI ERB claims 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.

ESDC's post-payment verification plan has undergone revisions since the last update tabled on May 31, 2023, and may continue to change in the future as the Department strives to remain agile and adaptive to emergent risks and as additional results become available.

Detection, Disruption and Prevention of Fraud

Immediately following the implementation of the EI ERB, the Department undertook strategic and targeted measures to detect, disrupt and address high-risk claims suspected of being fraudulent. The Department leveraged data analytic and intelligence capabilities to identify cases of potential fraud and blocked claims to prevent benefits from being paid to fraudsters.

Results to date

As reported in our May 2023 progress report, the Department was able to identify high-risk claims and implement stop payments on more than 30,000 potentially fraudulent claims. The stop payments prevented approximately \$42 million in payments from being issued to fraudsters. A total of 12,507 EI ERB high-risk claims suspected of being fraudulent were referred to the Royal Canadian Mounted Police (RCMP).

Since May 2023, the Department has not identified new EI ERB claims suspected of being fraudulent.

Reconciliation Activities

Reconciliation activities were undertaken by the Department to identify and recover overpayments.

Many individuals who applied for the EI ERB through Service Canada before June 14, 2020, received an advance payment of \$2000 within a few days of applying. This was an advance of four weeks of the EI ERB, which was issued in order to get money into the pockets of individuals as quickly as possible. Those who applied on or after June 14, 2020, did not receive an advance payment of \$2,000.

To reconcile this advance payment, ESDC applied this advance against other payment periods in June, July and August of 2020. Recipients saw an interruption in payments in order to apply the money paid to weeks of eligibility. However, if recipients of the advance payment were not entitled to or did not collect EI ERB payments for at least 20 weeks, some or all of the advance payment remains as an outstanding balance owing.

Some recipients stopped receiving EI ERB benefits before payments could be fully reconciled. Accordingly, in November 2021, Service Canada sent notices of debts to individuals who went off EI ERB after returning to work and prior to that payment being reconciled.

Results to date

The Department identified 1,861,205 EI ERB claimants with an advance lump-sum overpayment, for a total amount of \$3.16 billion dollars.

As of March 31, 2024, over 1.5M debtors have fully or partially repaid their advance lump-sum overpayment, for a total repayment of \$2.46B or nearly 77.6% of the original debt.

| Category | Number of Debtors | Amount Repaid |
|--------------------|--------------------------|------------------------|
| Partially Repaid | 257,044 | \$217,386,826 |
| Fully Repaid | 1,329,735 | \$2,239,360,681 |
| Total Count | 1,586,779 | \$2,456,747,507 |

Post-Payment Verification Activities

Post-payment verifications are undertaken to confirm whether EI ERB claimants met the eligibility requirements and to recover any ineligible payments. The Department has assessed all EI ERB claims against the eligibility criteria and is leveraging a risk-based approach to select high risk claims to review. Cases to be reviewed consist largely of EI ERB claims suspected to be non-compliant with the following eligibility requirements:

- Qualifying income – claimants that earned less than \$5,000 before taxes in 2019 or in the 52 weeks prior to the claim.
- Earnings while on claim – claimants who earned more than \$1,000 during a four-week period or stopped working and earned no income for seven consecutive days.
- Claimants who are under the age of 15.

In fiscal year 2023-2024, ESDC’s post-payment verification activities focused mainly on confirming compliance with the qualifying income eligibility requirement. In the fall of 2023, ESDC expanded its verifications to confirm compliance with the earnings while on claim eligibility requirements. This work will continue into fiscal year 2024-2025.

Results to date

As of March 31, 2024, 91,596 EI ERB post-payment verifications have been finalized, representing 58% of the total 157,000 workload and an estimated overpayment value of \$291 million dollars.

As of the same date, 83,599 debtors have fully or partially repaid their overpayment for a total repayment of \$159.87M.

| Category | Number of Debtors | Amount Repaid |
|--------------------|--------------------------|----------------------|
| Partially Repaid | 21,233 | \$27,417,460 |
| Fully Repaid | 62,366 | \$132,451,689 |
| Total Count | 83,599 | \$159,869,149 |

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.

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.

As the administrator for the collection of COVID-19 debts, the CRA has followed ESDC direction by 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.

Future Reporting

Post-payment verification activities will continue in fiscal year 2024-2025. As required under Recommendation 5.3 of the 35th Report of the Standing Committee on Public Accounts entitled: *Specific COVID-19 Benefits*, ESDC will adjust its reporting frequency and submit seven quarterly reports to the Committee as follow: by August 31, 2024, November 30, 2024, February 28, 2025, May 31, 2025, August 31, 2025, November 30, 2025, and February 28, 2026.

ESDC next progress report is scheduled for August 2024.