

# 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, 2023

### BACKGROUND

On behalf of the Government of Canada, on June 8, 2022, the Minister of Employment, Workforce Development and Disability Inclusion and the Minister of National Revenue tabled the Government's Response to the recommendations contained in the 6<sup>th</sup> 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 in February 2022*.

As requested, Employment and Social Development Canada (ESDC) is pleased to provide its interim report on progress related to Recommendation 2.

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 of Canada's Response to Recommendation 2 (as tabled on June 8, 2022):**

*"The Canada Emergency Response Benefit (CERB) was an important and necessary temporary emergency response to support Canadian workers, including the self-employed, who stopped working due to COVID-19. In designing the benefit, it was determined that, due to the expected volume of applications, rules that usually apply to Employment Insurance (EI) and other grant programs would result in unacceptable delays in issuing benefits to workers who urgently needed them. Therefore, the risk-based analysis was completed, and the decision was made to simplify the initial application process and put a stronger focus on post-payment verification, recognizing that this approach meant that some recipients could later be found ineligible, and need to repay benefits. That is why ESDC and CRA engaged in proactive planning for post-payment integrity action throughout the pandemic.*

*The Government has indicated from the outset that there will be no penalties or interest in cases where CERB needs to be repaid, and where the overpayment did not arise from fraud or misrepresentation. The Government is committed to providing an empathetic, people-first approach to all Canadians in consideration of the various circumstances they may be facing. Therefore, post-payment integrity activities will be risk-based and attuned to the current socioeconomic context. Following confirmation of funding in the 2020 Fall Economic Statement, ESDC developed a comprehensive four-year operational plan for post-payment integrity activities and has begun investigation of cases of suspected fraud alongside law enforcement. This is in addition to the \$42 million in suspected fraudulent payments that were prevented at the time of application.*

*In order to maintain public confidence in the integrity of the COVID-19 benefits programs, and to confirm that individuals were indeed eligible for the benefits they received, the CRA performs regular validation reviews.*

*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".*

Although the Canada Emergency Response Benefit (CERB) is generally referred to as one benefit, there were two benefits with slightly different eligibility criteria. Applicants could apply for either benefit:

- Applicants eligible for Employment Insurance (EI) benefits were directed to apply for the Employment Insurance Emergency Response Benefit (EI ERB), administered by Service Canada.
- Applicants not eligible for Employment Insurance benefits were directed to apply for Canada Emergency Response Benefit (CERB), administered by the Canada Revenue Agency (CRA).

This report presents the preliminary results for the EI ERB, administered by Service Canada.

## **PROGRESS REPORT**

### **The Full Slate of Integrity Activities for the Employment Insurance Emergency Response Benefit (EI ERB)**

During the COVID-19 pandemic, the Government of Canada pivoted quickly to provide access to income support to millions of Canadians using an attestation-based approach to the CERB. The Government determined that the attestation-based application process was not only the most effective way to get money into the hands of Canadians rapidly, but it was the only way. The Government was fully aware of the risks associated with the attestation-based approach and made it clear that eligibility would be verified once tax data would become available.

As noted in the March 2021 report of the Auditor General on the design of the CERB, this risk-based approach was considered appropriate under the circumstances and consistent with best practices promoted by the International Public Sector Fraud Forum. The Forum indicated that because the ability to establish upfront preventative measures in an emergency is limited, post-payment verification becomes all the more important. Accordingly, the attestation approach was balanced by a risk-based integrity framework focused on fraud detection, prevention measures and post-payment verification of claimant's eligibility.

The Auditor General's subsequent audit of specific COVID-19 benefits, tabled in December 2022, found that the COVID-19 benefits, including CERB, achieved their objectives to help Canada avoid a more severe contraction of the economy and the social consequences of, for example, a significant increase in poverty. This financial support allowed the economy to rebound and return to its pre-pandemic level.

ESDC's approach to EI ERB integrity included limited up-front controls, reconciliation activities related to the advance lump-sum payment, detection, disruption and prevention of fraud, and post-payment verification activities to identify cases of non-compliance with program eligibility requirements. 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 to post-payment verification that focuses on the highest risk files and the greatest dollars at risk.

#### **Detection, Disruption and Prevention of Fraud**

As with all benefit programs, the EI ERB experienced instances of fraud. Fraudsters exploited the reduced up-front controls associated with emergency benefit programs, leveraging stolen identities and other fraud schemes to obtain benefits fraudulently.

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

As a result of this work, the Department was able to identify high-risk applicants and implement stop payments on more than 30,000 potentially fraudulent applications. The stop payments prevented approximately \$42 million in payments from being issued to fraudsters.

As of April 28, 2023, a total of 12,507 EI-ERB high-risk claims suspected of being fraudulent have been referred to the Royal Canadian Mounted Police. ESDC cannot comment on the potential or active investigations by law enforcement.

### **Reconciliation Activities**

Reconciliation activities have also been undertaken by the Department to rectify and recover overpayments. An advance payment of \$2,000 was issued to EI ERB recipients immediately upon establishment of their claim. This lump-sum payment represented four weeks of EI ERB and ESDC applied this advance against future payment periods.

This approach was adopted because Service Canada's EI ERB payments leveraged the EI systems, which normally make payments in arrears. Contrary to the CRA model, which was designed to pay in advance, clients would have experienced delays in receiving their first payment. EI ERB applicants with claims processed on or after June 14, 2020, did not receive an advance payment of \$2,000.

To reconcile this advance payment for Canadians who had an active EI ERB, Service Canada took steps to fully reconcile the payments by recovering approximately \$2 billion dollars for more than one million clients. Some of the advance payment recipients stopped receiving EI ERB benefits before payments could be fully reconciled. Accordingly, in November 2021, Service Canada began reaching out directly to those individuals who went off EI ERB after returning to work and prior to that payment being reconciled.

As of April 28, 2023, the Department notified 1,836,981 EI ERB claimants regarding amounts owed, representing \$3.1 billion dollars. The results of this reconciliation activity are reported below.

### **Post-Payment Verification Activities**

Once tax data became available and the pandemic context improved, the Department began the next phase of its integrity activities. In the spring of 2022, ESDC initiated

EI ERB post-payment verification activities. Post-payment verifications are intended to confirm whether claimants met the eligibility requirements and to recover any ineligible payments. 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).
- Claimants who are under the age of 15.

In fiscal year 2022-2023, post-payment verification activities focused mainly on confirming compliance with the qualifying income eligibility requirement. Using a risk-based approach, approximately 57,000 fact-finding letters were sent to claimants whose claim is under review. Through the letter, claimants are asked to clarify information on file and/or submit missing or additional information to substantiate their eligibility.

As of April 28, 2023, 39,230 cases have been reviewed and 24,600 post-payment verifications have been finalised, representing an estimated overpayment value of \$88 million dollars. This work will continue in fiscal year 2023-2024.

In 2023-2024, ESDC will begin post-payment verification activities to confirm compliance with the earnings while on claim eligibility requirement. This work will continue into fiscal year 2024-2025.

**Amounts Recovered as of April 28, 2023**

The Department identified 1,836,981 EI ERB recipients with an advance lump-sum overpayment, for a total amount of \$3.1 billion dollars.

- As of April 28, 2023, one million debtors have fully repaid their debts representing a dollar value of \$1.8B and 343,626 debtors have partially repaid their debt representing \$252M; for a total repayment of \$2.1B or nearly 66.5% of the original debt.

<b>Category</b>	<b>Count</b>	<b>Amount Repaid*</b>
Partially Repaid	343,626	251,770,816
Fully Repaid	1,085,458	1,823,145,503
<b>Total</b>	<b>1,429,084</b>	<b>2,074,916,319</b>

The Department has also made progress on recovering ineligible payments.

- As of April 28, 2023, 62,518 debts have been established for \$236M. To date, 34,956 debtors have repaid in full representing a dollar value of \$74M and 4,672 debtors have partially repaid, representing \$5.9M; for a total repayment of \$80M.

<b>Category</b>	<b>Count</b>	<b>Amount Repaid*</b>
Partially Repaid	4,672	5,914,027
Fully Repaid	34,956	74,119,399
<b>Total</b>	<b>39,628</b>	<b>80,033,426</b>

**Source:** *Departmental accounts receivable systems.*

\*This includes voluntary payments, EI recoupment if the debtor is still in receipt of benefits, collection activities by CRA including negotiating a payment arrangement and CRA set offs.

The Government of Canada is committed to ensuring the financial stewardship of its benefits and will work with individuals who may be required to make a repayment, using an empathetic people-first approach. No penalties or interest will be applied on the emergency benefit overpayments. Canadians will not be put into financial hardship by having to repay emergency benefits they received.

### **Future Reporting**

Post-payment verification activities will continue in fiscal years 2023-2024 and 2024-2025. Future reporting will capture results from post-payment verification of the earnings while on claim and age eligibility requirements. The post-payment verification plan will be updated on a regular basis as needed to account for findings from verification activities and lessons learned.

ESDC next progress report to House of Commons Standing Committee on Public Accounts is scheduled for May 2024.