



21 May 2021

Mr. Robert Kitchen, M.P.  
Chair  
Standing Committee on Government Operations and Estimates  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Mr. Kitchen:

Thank you for having us appear before your committee on 26 April 2021 to discuss our 3 reports on the government's response to the COVID-19 pandemic that were tabled in Parliament in March of this year. This letter is in response to questions posed by Mr. McCauley and Mr. MacKinnon.

First, Mr. McCauley asked about Employment and Social Development Canada's consideration of social and economic information in designing the Canada Emergency Response Benefit (CERB) program and the payment of benefits to young people aged 15 and 16 living at home. Our audit found that Employment and Social Development Canada considered and analyzed key areas in the design and adjustments to CERB. Exhibit 6.1 of our report described the eligibility criteria that were established for CERB, including residence, age, and income level. While an applicant's age was one of the criteria, applicants also had to meet the other criteria in order to qualify for the benefit payments. As mentioned in paragraph 6.27 of our report, we found that the department had considered the benefit's impact on different recipient groups and economic sectors and on the labour supply. The department also considered aspects of the Employment Insurance sickness benefit for health care workers who were affected by the severe acute respiratory syndrome (SARS) virus in 2003. While we were able to refer to these areas generally, we are constrained in our ability to discuss the details of our audit conclusions on the analyses performed by the department because that information is contained in documents that the government has determined are classified as being secret or covered by Cabinet confidence.

We would also like to take this opportunity to clarify an answer given in response to a series of questions asked by Mr. McCauley about paragraph 6.38 of the report on CERB. One of the criteria for our audit of CERB was that Employment and Social Development Canada and the Canada Revenue Agency monitored the use of CERB to identify opportunities for ongoing improvement to its design and make recommendations to inform decision making. As outlined in paragraph 6.38, we found evidence that, to improve its delivery of the non-Employment Insurance Emergency Response Benefit, the Canada Revenue Agency monitored patterns of incoming applications to identify areas requiring additional pre-payment controls. We found that the agency identified and suggested to the department changes to the design of the non-Employment Insurance Emergency Response Benefit.

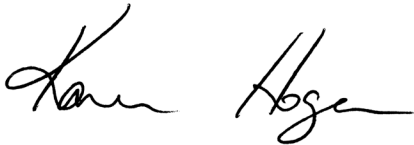
During the hearing, we expressed our understanding that not all of the recommendations that the Canada Revenue Agency made to the department were accepted. This statement was made during the discussion about a change put forward by the agency regarding additional mechanisms for the agency to recover funds. While Employment and Social Development Canada actioned this suggested change, we cannot comment on whether the department actioned all of the changes that the agency identified and suggested.

With regard to the Canada Emergency Wage Subsidy (CEWS) audit, Mr. McCauley asked whether changes could have been made to the program earlier in order to prevent possible fraud because, according to the decrease in the use of time code 699, most staff at the Canada Revenue Agency were back to work in June and July 2020. Our audit found that the agency made some changes. As noted in paragraph 7.48, the agency initially established thresholds for certain indicators (such as the value of the claim or revenue drop) to manually validate these applications as an additional precaution. Because the agency received fewer applications than initially expected, it used a lower threshold to trigger a manual review and used the freed-up resources to conduct these manual reviews. However, as stated in paragraph 7.60, the agency said it could not do more: "According to the agency, it was not able to conduct a greater number of targeted post-payment audits because of time constraints and the urgency of releasing the payments to support Canadian employers." In our view, as outlined in paragraphs 7.60 and 7.62, targeted audits would have been a good option to prevent taxpayers' money from being disbursed for the next subsidy payment to employers that did not meet the eligibility criteria.

Finally, in relation to an upcoming report on securing personal protective equipment and medical devices, Mr. MacKinnon asked about assessing procurement against targets and measures. When evaluating procurement, the Office of the Auditor General of Canada would usually examine whether the federal government has followed procurement rules and whether it paid a reasonable price for the quality of goods and services that it needed. Our audits have also commented on timeliness considerations, including the delivery schedules and actual delivery dates for goods and services. However, in auditing procurement in the exceptional circumstances under which personal protective equipment was purchased during the COVID-19 pandemic, we understand that there has been an unprecedented international competition for the same limited worldwide supply.

We hope this information is useful to the committee.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Karen Hogan". The signature is fluid and cursive, with the first name "Karen" and the last name "Hogan" clearly distinguishable.

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c.c.: Mr. Paul Cardegna, Clerk of the Committee