

CANADA EMERGENCY WAGE SUBSIDY

SUBVENTION SALARIALE D'URGENCE DU CANADA



WEEKLY INFOGRAPHIC - CANADA REVENUE AGENCY
INFOGRAPHIE HEBDOMADAIRE – AGENCE DU REVENU DU CANADA

JULY 27, 2020, upto 11:59 P.M.
AU JOUR DU 27 JUILLET 2020 À 23 H 59

40,659

Initial applications received for the week
Demandes initiales pour la semaine

777,083

Initial applications received since launch
Demandes initiales reçues depuis le lancement

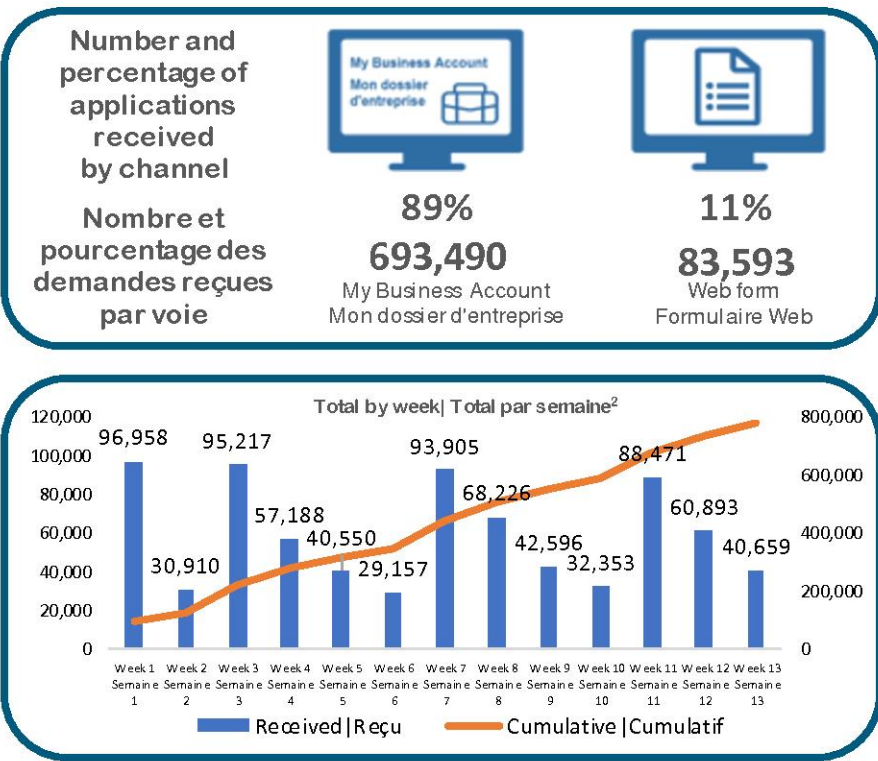
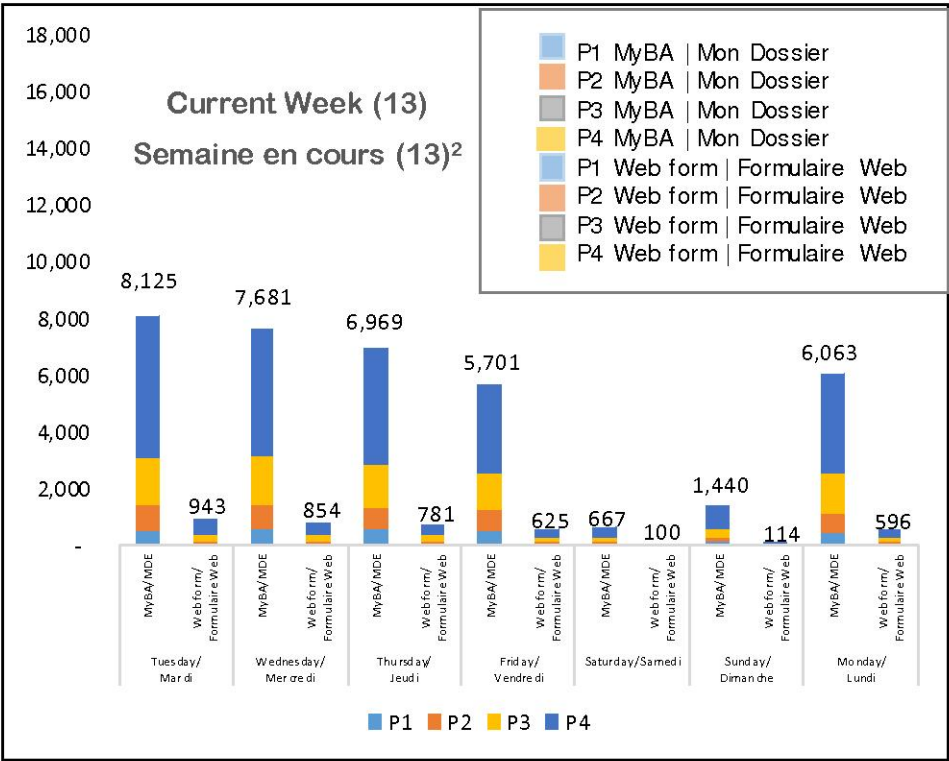
770,448

Initial applications approved since launch
Demandes initiales approuvées depuis le lancement

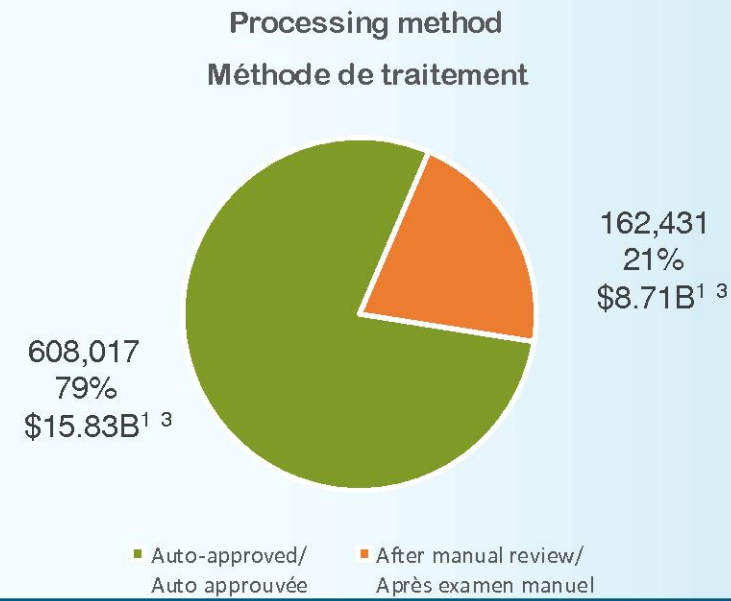
\$24.18 billion | milliards

Subsidies paid since launch
Subventions payées depuis le lancement¹

Applications Received | Demandes reçues



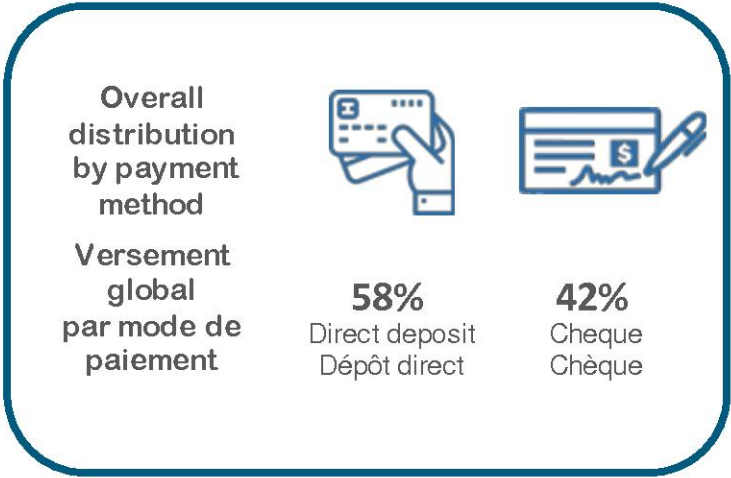
Applications Approved | Demandes approuvées



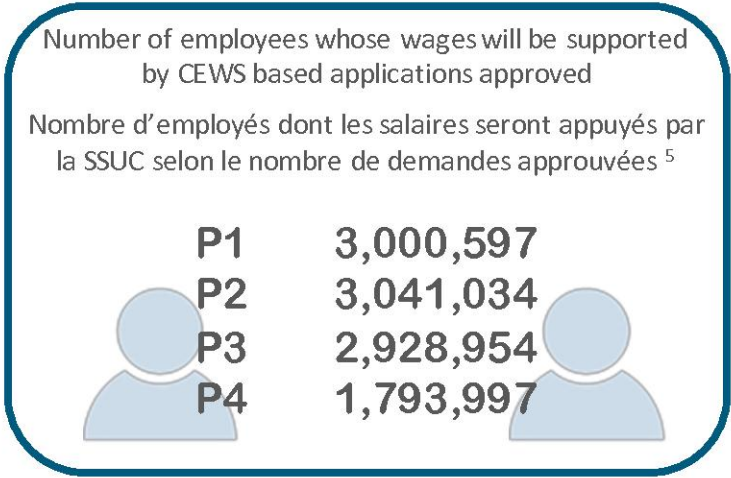
Number of applications approved by value on application
Nombre de demandes approuvées par la valeur de la demande⁴

	Under \$100K Moins de 100 k\$	\$100K - \$1M 100 k\$ - 1 M\$	\$1M - \$5M 1 M\$ - 5 M\$	Over \$5M Plus de 5 M\$
P1	200,266	8,793	461	55
P2	218,938	10,857	530	62
P3	193,782	11,261	461	50
P4	117,956	6,794	172	10

Payment methods Modes de paiement



Employee support Soutien aux employés



¹Values rounded to the nearest \$10,000,000 / Les valeurs arrondies au 10 000 000 \$ près

²Week 1 – Week of April 27, Week 2 – Week of May 4, Week 3 – Week of May 11, Week 4 – Week of May 18, Week 5 – Week of May 25, Week 6 – Week of June 1, Week 7 – Week of June 8, Week 8 – Week of June 15, Week 9 – Week of June 22, Week 10 – Week of June 29, Week 11 – Week of July 6, Week 12 – Week of July 13, Week 13 – Week of July 20, Week 14 – Week of July 27 / Semaine 1 – semaine du 25 avril, Semaine 2 – semaine du 4 mai, Semaine 3 – semaine du 11 mai, Semaine 4 – semaine du 18 mai, Semaine 5 – semaine du 25 mai, Semaine 6 – semaine du 1 juin, Semaine 7 – semaine du 8 juin, Semaine 8 – semaine du 15 juin, Semaine 9 – semaine du 22 juin, Semaine 10 – semaine du 29 juin, Semaine 11 – semaine du 6 juillet, Semaine 12 – semaine du 13 juillet, Semaine 13 – semaine du 20 juillet, Semaine 14 – semaine du 27 juillet

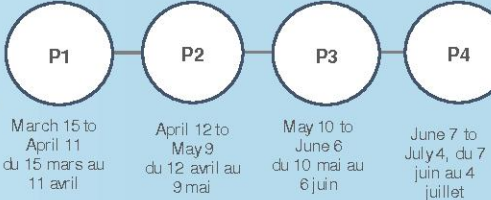
³The dollar value is for initial applications only (does not account for reassessments) / La valeur est pour les demandes initiales seulement (ne comprend pas les redressement)

⁴Less than \$100K represents organization with roughly 25 employees or fewer; \$100K-\$1M roughly 25-250 employees; over \$1M roughly over 250 employees / Moins de 100 k\$ représente des entités avec approximativement 25 employés ou moins; 100 k\$ à 1 M\$ approximativement 25 à 250 employés; plus de 1 M\$ approximativement plus de 250 employés

⁵The number of employees indicated on approved CEWS applications / Le nombre d'employés indiqué dans les demandes pour la SSUC approuvées

FOR INTERNAL USE ONLY - DATA FOR EXTERNAL AUDIENCES MUST BE ATTESTED BY CDO

Periods | Périodes



CANADA EMERGENCY
WAGE SUBSIDY

SUBVENTION SALARIALE
D'URGENCE DU CANADA



PROGRAM OPERATIONS
OPÉRATIONS DU PROGRAMME

JULY 27, 2020, UP TO 11:59 PM
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Demandes initiales reçues pour la semaine

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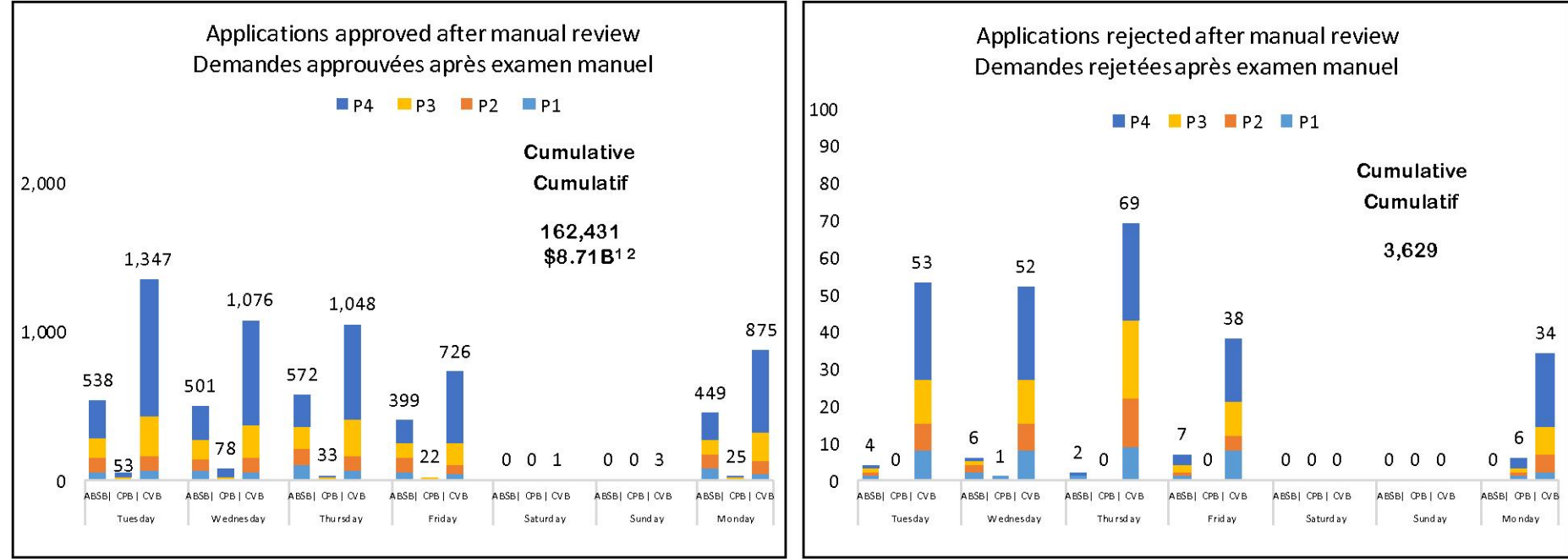
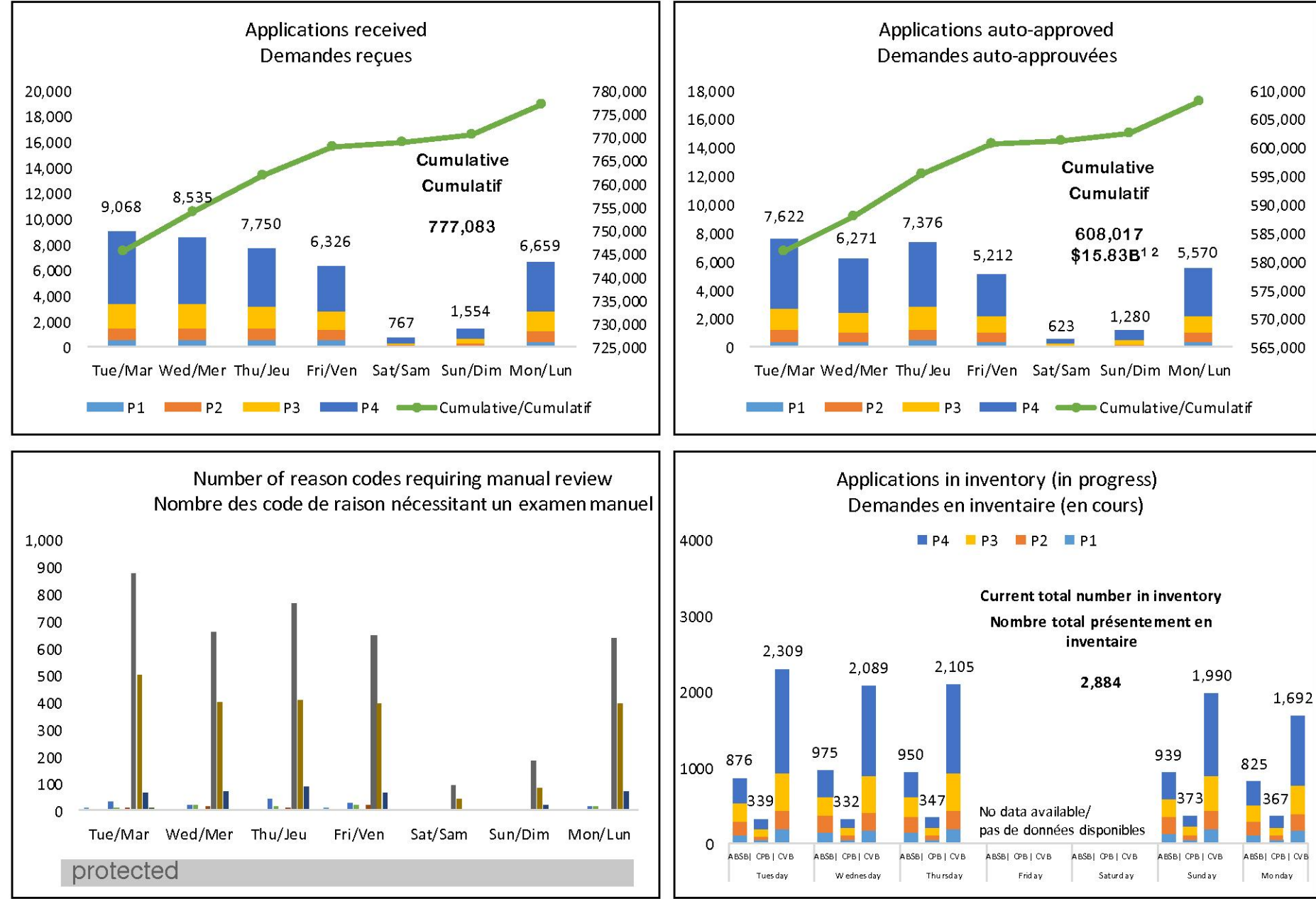
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Initial applications approved since launch
Demandes initiales approuvées depuis le lancement

\$24.18 billion | milliards

Subsidies paid since launch
Subventions payées depuis le lancement¹



Reason Code for Validations Fail Legend (manual review required)

protected

protected

protected

protected

protected

protected

protected

protected

protected

protected

protected

protected

000002

Implementation of the COVID-19 Canada Emergency Wage Subsidy – Suspicious Activity Risks

Introduction:

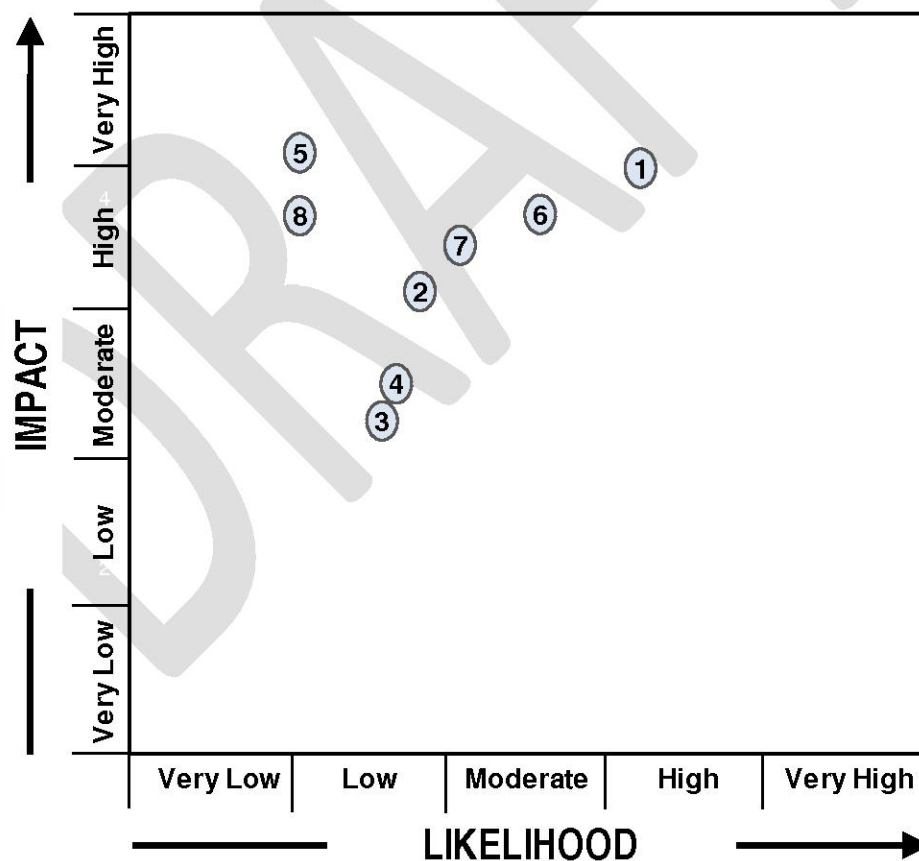
- The objective of this risk register is to proactively identify potential vulnerabilities to suspicious activities related to the Canada Emergency Wage Subsidy (CEWS) and assess the current controls in place. The investigation of suspicious activity is not in-scope for this risk register.
- Controls have been divided into three phases, application (i.e. controls in place related to the application process), pre-payment review and post-payment review, in order to help identify any opportunities for improvement along the continuity of the CEWS life cycle.
- Controls may be mapped against multiple risks. Controls have been given an ID that reflects the type of control and a number (i.e. App 1 indicates an application control). Each occurrence of the control will have the same ID (see Appendix B for the full list of controls).
- This document was prepared in collaboration with ABSB, CVB, CPB, EAB, IIB and the regions and is considered an evergreen document to be updated in response to changes in the program and operating environment.
- Should you know of any controls that are not identified in this risk register, please add them in track-changes to give a complete picture of the controls in place for each risk.

Risk Assessment Context:

- The risk assessment was conducted between May 29, 2020 and June 16, 2020. The assessment results represent a point-in-time assessment of the risks.
- The risk assessment included input from ABSB, CVB, CPB and regional representatives.

RISK LIST			
ID	Name	Residual Risk Score	Control Effectiveness
1	Double payments received – one from EI or CERB and one from CEWS	High	Moderate
2	False or erroneous reporting from employer	Moderate	High
3	Web Access Code (WAC) access to CEWS application	Low	High
4	Represent a Client (RaC) Access to CEWS	Moderate	High
5	CEWS recipient impersonation	Moderate	High
6	Misappropriation of CEWS payments	High	Moderate
7	Inability to detect suspicious activity	Moderate	Moderate
8	System vulnerabilities	Moderate	High

Heat Map



Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
1	Double Payments received – one from EI or CERB and one from CEWS	There is a risk that individuals will receive payments through both the CERB and CEWS and intentionally not return the CERB payment.	High	Very High	Moderate
Key risk drivers					
<ul style="list-style-type: none"> Applications don't interact in real time CEWS is allowing backdating to March 15, 2020 					
Key potential risk events					
<ul style="list-style-type: none"> Both benefits (CERB and CEWS) being paid to the same individual Individuals will feel that they were misled by GC, leading to an impact to CRA reputation. Employers and individuals will be confused by the requirements. 					
Key potential impacts					
<ul style="list-style-type: none"> The benefit will have to be recovered from the citizen. Damage to CRA reputation. 					
Key controls					
Application					
<ul style="list-style-type: none"> App 1 - Only bank accounts established before March 1, 2020 can be registered through Financial Institutions (FI) for direct deposit. App 2 - There is regular communication with the public as well as a publicly accessible Frequently Asked Questions page focussed on the CEWS that is updated on a regular basis. App 3 - Attestation to be completed by the business owner/authorized representative App 19 - Only RP (payroll) accounts established prior to March 16th can apply 					
Pre-Payment Review					
<ul style="list-style-type: none"> Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through FI protected Pre 3 - Failed validation pass through a manual review before releasing payment Pre 7 - Payment files sent to PSPC are held for 1 day to allow for further analysis. 					
Post-Payment Review					
<ul style="list-style-type: none"> Post 1 - Partnership with GST Enhanced Registration Review (GER), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed. Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. books and records). Post 3 - There is a report of all CEWS payments going to the same bank account that is reviewed on a regular basis. Post 5 - T4 reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received. Post 9 - A post-payment compliance strategy is being developed that includes: <ul style="list-style-type: none"> Population identification and segmentation 					

- Risk assessment
- Analytics and data science
- Workload distribution and assignment
- Audit/verification scope
- Procedures and training
- Compliance tracking
- Time reporting
- Communication
- Results reporting

DRAFT

Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
2	False or erroneous reporting from employer	There is a risk that false or erroneous claims could be made by employers (i.e. they inflate their # of employees).	Low	High	High
Key risk drivers					
<ul style="list-style-type: none"> Employers could intentionally or accidentally make mistakes on applications. Users may mask their IP address when undertaking suspicious activity. False or erroneous reductions in revenue are not tested as part of the pre-payment validation of applications. 					
Key potential risk events					
<ul style="list-style-type: none"> Funds being issued to a business that has falsely claimed for employees 					
Key potential impacts					
<ul style="list-style-type: none"> Recovery of overpayments and possible legal action Validation of amounts may not be possible for up to 18 months until employer files T4 Summary, CRA process the summary and T4's and employee T1 return is filed and processed Funds paid to incorporated companies that are inactive or without assets may not provide an avenue for recovery of unwarranted CEWS payments 					
Key controls					
Application					
<ul style="list-style-type: none"> App 3 - Attestation to be completed by business owner/ authorized representative. App 4 – Up front validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App 5 - The Agency has worked closely with financial institutions to encourage clients to sign up for direct deposit, providing the Agency with a greater level of assurance as to the authenticity of the applicant. App 6 - IP address to be captured when filing to track the submissions App 22 - Suspicious calls or leads received by the Call Centers are being forward to the Leads Program 					
Pre-Payment Review					
<ul style="list-style-type: none"> Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions. protected Pre 3 - Failed validations pass through a manual review before releasing payment Pre 7 – Payment files sent to PSPC are held for 1 day to allow for further analysis. 					
Post-Payment Review					
<ul style="list-style-type: none"> Post 1 - Partnership with GST Enhanced Registration Review (GERR), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed. Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing). 					

- Post 8 – A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly).
- Post 9 – A post-payment compliance strategy is being developed that includes:
 - Population identification and segmentation
 - Risk assessment
 - Analytics and data science
 - Workload distribution and assignment
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Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
3	Web Access Code (WAC) access to CEWS application	There is a risk that suspicious submissions and/or changes are made via WAC access to CEWS	Low	Moderate	High
Key risk drivers					
<ul style="list-style-type: none"> No ID proofing level, we do not know who is submitting the CEWS application We do not know the role of user within the organization/entity 					
Key potential risk events					
<ul style="list-style-type: none"> Unable to trace the individual who is responsible for submitting the suspicious claim Funds could be diverted depriving entity access to those funds 					
Key potential impacts					
<ul style="list-style-type: none"> Inability to recover funds 					
protected					
Key controls					
Application					
<ul style="list-style-type: none"> App 4 – Up front validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App 7 - Authentication steps are required in order to obtain a WAC, applicants are required to confirm the entity's date of registration or box 22 of the most recent original 2018 tax year. App 8 - Once the BN and WAC are entered in the classic CEWS application, validation occurs between GSTe-Services and Info Dec to determine if the CEWS applicant can proceed to the next step of the application. 					
Pre-Payment Review					
<ul style="list-style-type: none"> Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions. protected 					
<ul style="list-style-type: none"> Pre 3 - Failed validations pass through a manual review before releasing payment 					
Post-Payment Review					
<ul style="list-style-type: none"> Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing). Post 8 - A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly). 					

Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
4	Representa Client (RaC) Access to CEWS	There is a risk that suspicious submissions and/or changes are made via RaC access to CEWS	Low	Moderate	High
Key risk drivers					
<ul style="list-style-type: none"> Low IDPL Reps can submit their own authorization requests or upgrade authorization level Many claims will be filed by representatives. 					
Key potential risk events					
<ul style="list-style-type: none"> A rep applies on behalf of an entity without having authorization to do so. Unable to trace the individual with certainty who is responsible for submitting the suspicious claim Funds could be diverted depriving entity access to those funds 					
Key potential impacts					
<ul style="list-style-type: none"> Inability to recover funds 					
protected					
Key controls					
Application					
<ul style="list-style-type: none"> App 4 – Upfront validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App 9 - Representatives can't change a business owner name in MyBA. App 10 - Following a change to add a Level 3 representative, or if there is a representative added that has a newly created Rep ID, calls are made to the business owner in the BN system to confirm the change. App 20 – All representatives are required to register using their SIN in order to obtain a REP ID. App 21 – Only level 2 or level 3 representatives are able to make changes. 					
Pre-Payment Review					
<ul style="list-style-type: none"> Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions. 					
protected					
<ul style="list-style-type: none"> Pre 3 - Failed validations pass through a manual review before releasing payment Pre 4 - Suspicious authorization of representatives will be confirmed via call with the taxpayer. 					
Post-Payment Review					
<ul style="list-style-type: none"> Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing). Post 5 - Tax reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received. 					

- Post 8 – A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly).

Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
5	CEWS recipient impersonation	There is a risk that CEWS applicants are impersonated (by external actors and/or CRA employees) in order to inappropriately divert payments.	Very Low	Very High	High
Key risk drivers					
<ul style="list-style-type: none"> The CEWS has been widely publicized Authorized representatives are sometimes added to accounts without removing the previous representatives CRA employees in some cases have access to sufficient information to impersonate a business owner. Employees of a prospective applicant may have access to sufficient information to impersonate a business owner In January 2020, the Agency detected nearly 400 segregation of duty conflicts that had not been validated. CRA Validators for the CEWS program were provisioned with access to update address and direct deposit information. 					
Key potential risk events					
<ul style="list-style-type: none"> Payments are diverted without proper authorization. 					
Key potential impacts					
<ul style="list-style-type: none"> Privacy breach Liability for the CRA Damage to the CRA's reputation Employee, taxpayer or benefit recipient information could be compromised 					
Key controls					
Application <ul style="list-style-type: none"> App 4 – Upfront validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App 5 - The Agency has worked closely with financial institutions to encourage clients to sign up for direct deposit, providing the Agency with a greater level of assurance as to the authentication of the applicant. App 11 - Personal Identification Number (PIN) as an alternate security measure for calling Income Tax Enquiries or Benefit Enquiries lines App 12 - Segregation of Duties Directive App 13 – Monitoring of the National Audit Trail System (NATS) which logs CRA employee use of CRA systems. App 14 – Enterprise Fraud Management System (EFMS) monitors CRA employees and flags suspicious activity for further investigation. App 15 - confidentiality measures in phone communication (both incoming and outgoing) App 16 - operations manuals (e.g. Taxation Operations Manual) App 17 - Direct deposit and change of address flags for changes in MyBA (will be adding for direct deposit for financial institutions) App 18 - Authentication management services (i.e. credential lock-out, security questions, etc.) App 23 - System access is limited to only what is required by the user. App 24 - Employees are required to disclose conflicts of interest on an annual basis 					

- App 25 - Employees are required to affirm their review of the Code of Ethics and Directive on Conflict of Interest on an annual basis.

Pre-Payment Review

- Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions.

- protected

- Pre 3 - Failed validations pass through a manual review before releasing payment
- Pre 5 - For applications in the ABSB bucket, employees will be contacting the owner, partner, director, corporate officer or delegated authority listed in the Business Number System to confirm the banking information details
- Pre 7 - Payment files sent to PSPC are held for 1 day to allow for further analysis.

Post-Payment Review

- Post 1 - Partnership with GST Enhanced Registration Review (GERR), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed.
- Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing).
- Post 5 - The reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received.
- Post 8 - A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly).
- Post 9 - A post-payment compliance strategy is being developed that includes:
 - Population identification and segmentation
 - Risk assessment
 - Analytics and data science
 - Workload distribution and assignment
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Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
6	Misappropriation of CEWS payments	There is a risk that CEWS payments are misappropriated and not used to serve their intended purpose.	Moderate	High	Moderate
Key risk drivers					
<ul style="list-style-type: none"> Many organizations' cash flow and business have suffered as a result of the COVID-19 pandemic. Recipients may have debts more pressing than employee wages. Employees of recipients may divert CEWS payments. CRA employees may collude with external actors to facilitate or mask the misappropriation of payments. 					
Key potential risk events					
<ul style="list-style-type: none"> Payments are used for something other than employee wages. 					
Key potential impacts					
<ul style="list-style-type: none"> Damage to the CRA's reputation Negative effect on other program areas (GST/HST) Need for CRA to pay CERB to those employees that never received CEWS through employer 					
Key controls					
Application					
<ul style="list-style-type: none"> App 2 - There is regular communication with the public as well as a publicly accessible Frequently Asked Questions page focused on the CEWS that is updated on a regular basis. The information communicates that the CRA is authorized to publish the name of any eligible employer that makes an application for the wage subsidy. App 4 – Upfront validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App 22 - Suspicious calls or leads received by the Call Centers are being forward to the Leads Program App 24 - Employees are required to disclose conflicts of interest on an annual basis. App 25 - Employees are required to affirm their review of the Code of Ethics and Directive on Conflict of Interest on an annual basis. 					
Pre-Payment Review					
<ul style="list-style-type: none"> Pre 1 - Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions. protected 					
<ul style="list-style-type: none"> Pre 3 - Failed validations pass through a manual review before releasing payment Pre 6 - Conduct Pre-Payment risk assessment for duplicate claims within a legal or economic entity 					
Post-Payment Review					
<ul style="list-style-type: none"> Post 1 - Partnership with GST Enhanced Registration Review (GERR), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed. Post 2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing). 					

- Post 8 – A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly).
- Post 5 - The reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received.
- Post 9 - A post-payment compliance strategy is being developed that includes:
 - Population identification and segmentation
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Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
7	Inability to detect suspicious activity	There is a risk that the CRA will not be able to detect suspicious activity related to the CEWS.	Low	High	Moderate
Key risk drivers					
<ul style="list-style-type: none"> There is public pressure on the Agency to get payments to businesses quickly. Scammers take advantage of emergency measures as they know there are fewer measures in place to detect suspicious activity. Given that the project is moving quickly, not all data requirements may be known/met. 					
Key potential risk events					
<ul style="list-style-type: none"> Suspicious submissions/ changes are submitted and processed. 					
Key potential impacts					
<ul style="list-style-type: none"> Liability for the CRA Damage to the CRA's reputation 					
Key controls					
Application					
<ul style="list-style-type: none"> App3 - Attestation to be completed by business owner/ authorized representative App4 - Upfront validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A. App5 - The Agency has worked closely with financial institutions to encourage clients to sign up for direct deposit, providing the Agency with a greater level of assurance as to the authentication of the applicant. App6 - IP address to be captured when filing to track the submissions 					
Pre-Payment Review					
<ul style="list-style-type: none"> protected 					
<ul style="list-style-type: none"> Pre3 - Failed validations pass through a manual review before releasing payment Pre6 - Conduct Pre-Payment risk assessment using systems and previous compliance history Pre7 - Payment files sent to PSPC are held for 1 day to allow for further analysis. 					
Post-Payment Review					
<ul style="list-style-type: none"> Post1 - Partnership with GST Enhanced Registration Review (GERR), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed. Post2 - Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. payroll listing). Post4 - Weekly analysis of EN registrations Post5 - Reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received. Post6 - Conduct Post-Payment risk assessment using systems and previous compliance history Post7 - All data received will be stored to enable future data analytic efforts. Post8 - A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly). Post9 - A post-payment compliance strategy is being developed that includes: 					

- Population identification and segmentation
- Risk assessment
- Analytics and data science
- Workload distribution and assignment
- Audit/verification scope
- Procedures and training
- Compliance tracking
- Time reporting
- Communication
- Results reporting

Risk information					
ID	Name	Statement	Likelihood	Impact	Control Effectiveness
8	System vulnerabilities	There is a risk that the CEWS enabling systems will be accessed inappropriately (by a CRA employee and/or external actor) and that suspicious payments will be processed and/or personal information will be compromised.	Very Low	High	High
Key risk drivers					
<ul style="list-style-type: none"> A weakness in the system design can exist, or a weakness in the implementation of an operational procedure, or a weakness in how the software or code was developed (for example, coding errors, back doors, vulnerabilities in code, etc.) The design may not have fully considered interaction or interoperability with other existing CRA or external systems (i.e. ESDC's EI system). CRA privileged user access may not be adequately monitored. There is a temporary workforce provisioned to review/approve subsidy claims that would not normally perform this work which could result in conflict between their new and existing system access profiles. In January 2020, the Agency detected nearly 400 segregation of duty conflicts that had not been validated. CRA Validators for the CEWS program were provisioned with access to update address and direct deposit information. Some steps in the SA&A process have been skipped for urgent changes during the implementation of COVID-19 emergency measures. 					
Key potential risk events					
<ul style="list-style-type: none"> Suspicious submissions are processed. Personal information is compromised. 					
Key potential impacts					
<ul style="list-style-type: none"> Privacy breach Liability for the CRA Damage to the CRA's reputation Employee, taxpayer or benefit recipient information could be compromised 					
Key controls					
Internal Threat					
<ul style="list-style-type: none"> Access permissions to CRA systems are role-based and granted, modified, and removed based on documented and appropriately approved access requests. Monitoring of the National Audit Trail System (NATS) which logs CRA employee use of CRA systems Enterprise Fraud Management System (EFMS) monitors CRA employees and flags suspicious activity for further investigation. Authentication management services (i.e. credential lock-out, security questions, etc.) Employees are required to disclose conflicts of interest on an annual basis. Employees are required to affirm their review of the Code of Ethics and Directive on Conflict of Interest on an annual basis. Access to develop changes and promote changes to the production environment are segregated. 					

- Segregation of duties controls are in place and existing roles and profiles have been mapped by ABSB to identify segregation of duties conflicts. Some exemptions exist, particularly for call centre agents, to meet the service to Canadians objective.

External Threat

- Security Assessment and Authorization processes
- PIAs and subsequent monitoring
- Monitoring and reporting of cyber threats performed by the Canadian Centre for Cyber Security.
- IT Security Cyber Protection Centre

Appendix A: Validation Controls

The following is a list of system validation checks currently in place for CEWS applications, any application that does not meet the pre-application validation criteria below will not be processed and an error message will be generated. Any application that does not meet the post-application validation criteria below will be flagged as an exception and are reviewed manually:

Pre-Application Validations:

- The number of eligible employees (Line A) cannot be greater than \$847x4
- The Basic Canada Emergency Wage Subsidy (Line C) cannot be greater than the total eligible remuneration paid (Line B)
- Claim date cannot be in the future
- A claim cannot have already been submitted for the period
- According to CRA records the applicant is not eligible
- Account number is invalid
- Account is not eligible for internet filing per Info Dec
- Authentication failed and account is locked after 5 failed attempts
- Web Access Code (WAC) not valid
- Invalid account type, operation type, or event type – not eligible for CEWS
- Invalid Business Number (BN) – not eligible for CEWS
- Must respond to attestation statement
- Submission is a duplicate
- Business Number was not active before March 16, 2020
- Payroll account was not active before March 16, 2020
- Payroll account was in pending close status

Post-Application Validations:

- Included on any of the following areas' high risk lists:

protected

- Included on International and Large Business' protected
- Included on the Basic File's protected
- Included on the protected
- Failed payroll validation
- protected
- protected
- Claims where the gross payroll is protected
- Accounts where the BN or RP were in existence as of March 15 protected
- protected
- Claims where Line protected
- Claims where Line protected
- protected

Appendix B: Full List of Controls and Control IDs

Application Controls	
App 1	Only bank accounts established before March 1, 2020 can be registered through Financial Institutions (FI) for direct deposit.
App 2	There is regular communication with the public as well as a publicly accessible Frequently Asked Questions page focused on the CEWS that is updated on a regular basis.
App 3	Attestation to be completed by the business owner/authorized representative
App 4	App 4 – Upfront validations for point of entry in the application (i.e. inactive accounts); if application does not meet cannot submit a claim. See Appendix A.
App 5	The Agency has worked closely with financial institutions to encourage clients to sign up for direct deposit, providing the Agency with a greater level of assurance as to the authenticity of the applicant.
App 6	IP address to be captured when filing to track the submissions
App 7	Authentication steps are required in order to obtain a WAC, applicants are required to confirm the entity's date of registration or box 22 of the most recent original 2018 tax year.
App 8	Once the BN and WAC are entered in the classic CEWS application, validation occurs between GSTe-Services and Info Dec to determine if the CEWS applicant can proceed to the next step of the application.
App 9	Representatives can't change a business owner name in MyBA.
App 10	Following a change to add a Level 3 representative, or if there is a representative added that has a newly created Rep ID, calls are made to the business owner in the BN system to confirm the change.
App 11	Personal Identification Number (PIN) as an alternate security measure for calling Income Tax Enquiries or Benefit Enquiries lines
App 12	Segregation of Duties Directive
App 13	National Audit Trail System (NATS) logs CRA employee use of CRA systems.
App 14	Enterprise Fraud Management System (EFMS) monitors CRA employees and suspicious activity for further investigation.
App 15	confidentiality measures in phone communication (both incoming and outgoing)
App 16	Operations manuals (e.g. Taxation Operations Manual)
App 17	Direct deposit and change of address flags for changes in MyBA (will be adding for DD for Financial institutions)
App 18	Authentication management services (i.e. credential lock-out, security questions, etc.)
App 19	Only RP (payroll) accounts established prior to March 16th can apply
App 20	All representatives are required to register using their SIN in order to obtain a REP ID.
App 21	Only level 2 or level 3 representatives are able to make changes.
App 22	Suspicious calls or leads received by the Call Centres are being forward to the Leads Program.
App 23	System access is limited to only what is required by the user.
App 24	Employees are required to disclose conflicts of interest on an annual basis.
App 25	Employees are required to affirm their review of the Code of Ethics and Directive on Conflict of Interest on an annual basis.

Pre-Payment Review Controls	
Pre 1	Only bank accounts established before March 1, 2020 can be registered for direct deposit through financial institutions.
Pre 2	protected
Pre 3	Failed validations pass through a manual review before releasing payment
Pre 4	Suspicious authorizations of representatives will be confirmed via call with the taxpayer.
Pre 5	For applications in the ABSB bucket, employees will be contacting the owner, partner, director, corporate officer or delegated authority listed in the Business Number System to confirm the banking information details
Pre 6	Conduct Pre-Payment risk assessment for duplicate claims within a legal or economic entity
Pre 7	Payment files sent to PSPC are held for 1 day to allow for further analysis.
Post-Payment Review Controls	
Post 1	Partnership with GST Enhanced Registration Review (GERR), CVB and AGP, where suspicious claims, including where the applicant requests to cancel the claim when they are contacted by CRA, are identified and reviewed.
Post 2	Both CPB and CVB will conduct post-payment validation where claimants are contacted to provide supporting documentation to substantiate their submissions (i.e. books and records).
Post 3	There is a report of all CEWS payments going to the same bank account that is reviewed on a regular basis.
Post 4	Weekly analysis of BN registrations
Post 5	The reporting requirements have been identified for all employers in Canada where they will identify those wages earned during the CEWS periods, allowing for matching between wages received by the employer and CERB funds received
Post 6	Conduct Pre-Payment risk assessment using systems and previous compliance history
Post 7	All data received will be stored to enable future data analytic efforts.
Post 8	A working group has been established with FIs to identify potential schemes/trends (with a view to adjusting processes/protocols accordingly).
Post 9	<p>A post-payment compliance strategy is being developed that includes:</p> <ul style="list-style-type: none"> • Population identification and segmentation • Risk assessment • Analytics and data science • Workload distribution and assignment • Audit/verification scope • Procedures and training • Compliance tracking • Time reporting • Communication • Results reporting

COVID-19: CEWS Event Timeline

March 2020 to July 2020

Milestones above the timeline are reserved for business activities; while milestones below the timeline are reserved for operational, architectural, and infrastructure activities.

- Level +4 Announcements | Launches
- Level +3 Compliance | Program Controls
- Level +1 Project Management

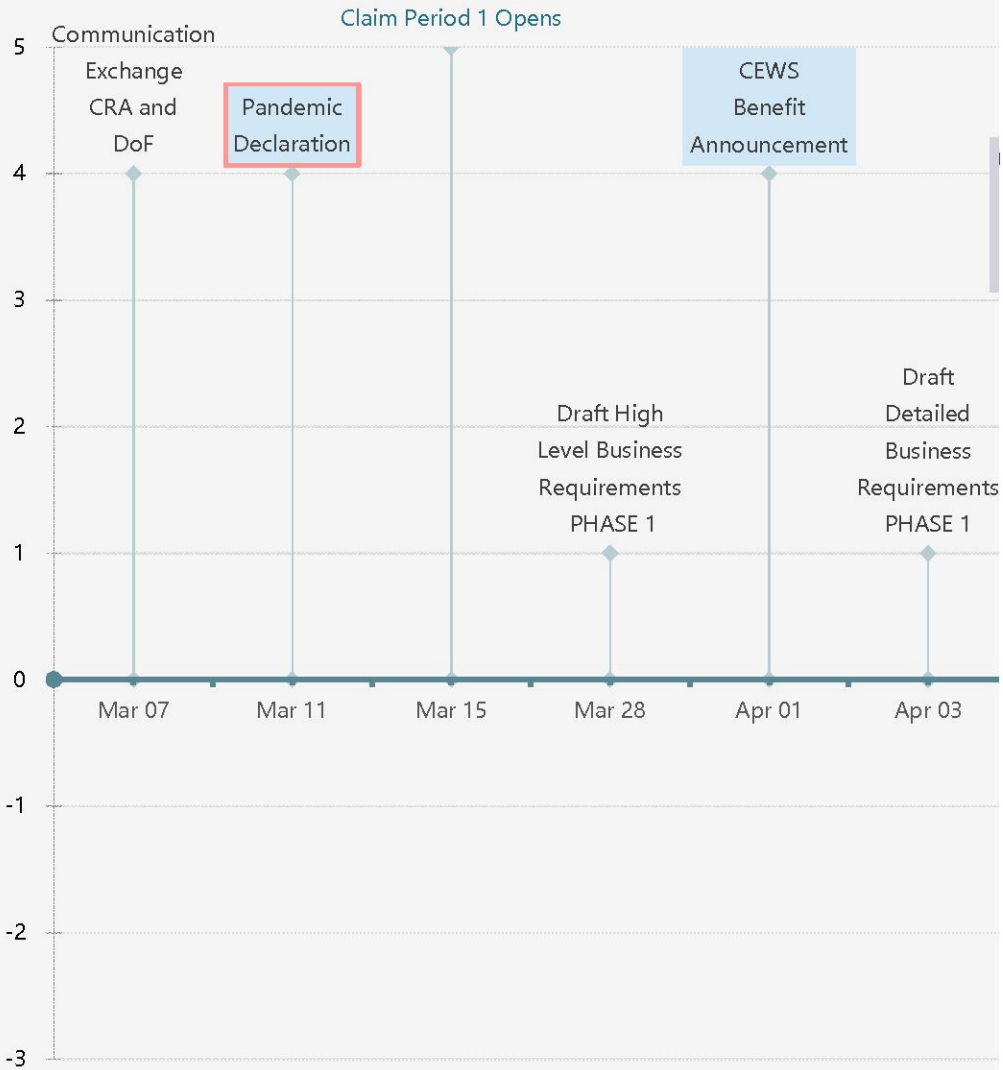
Level - 2 IT Controls | IT Development

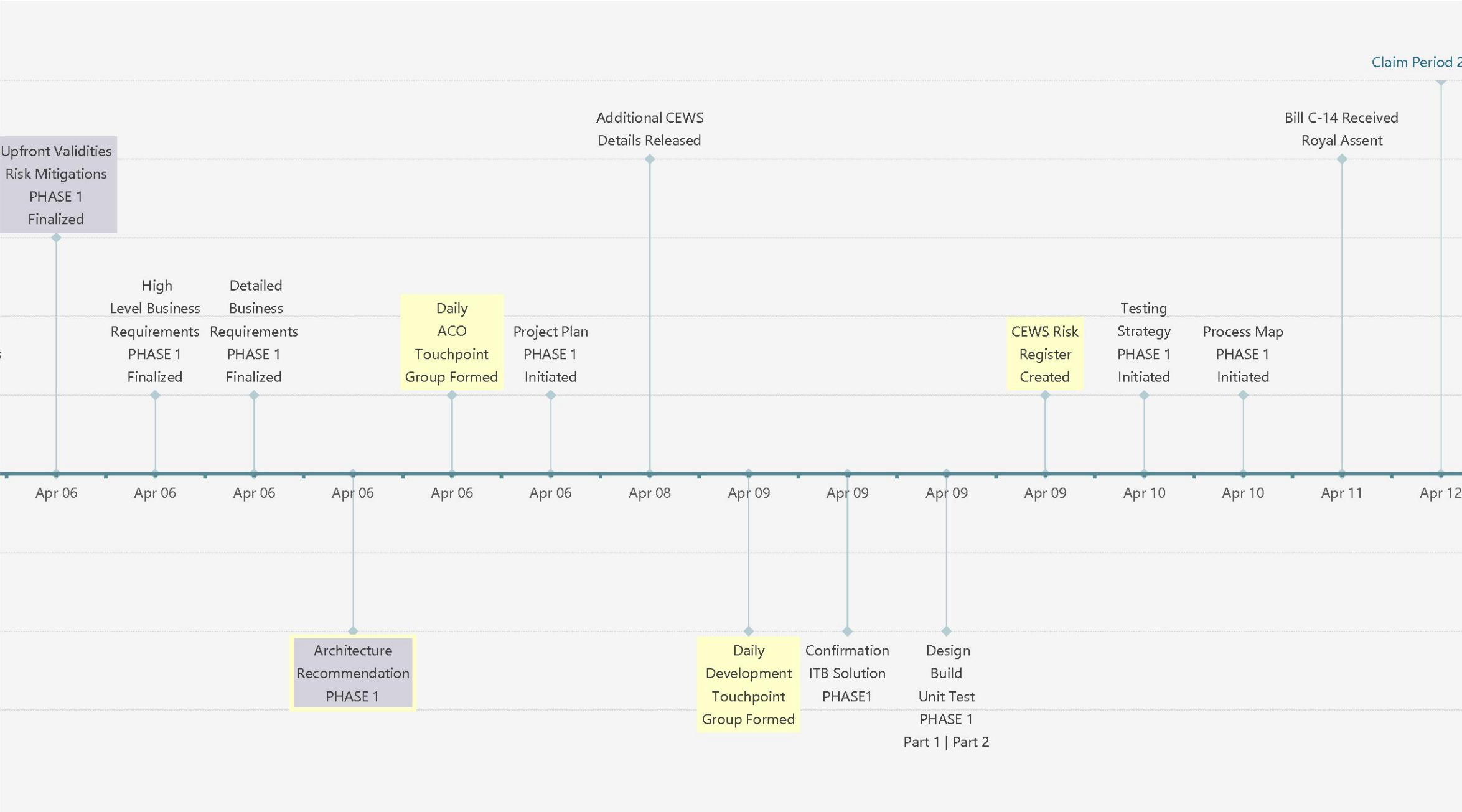


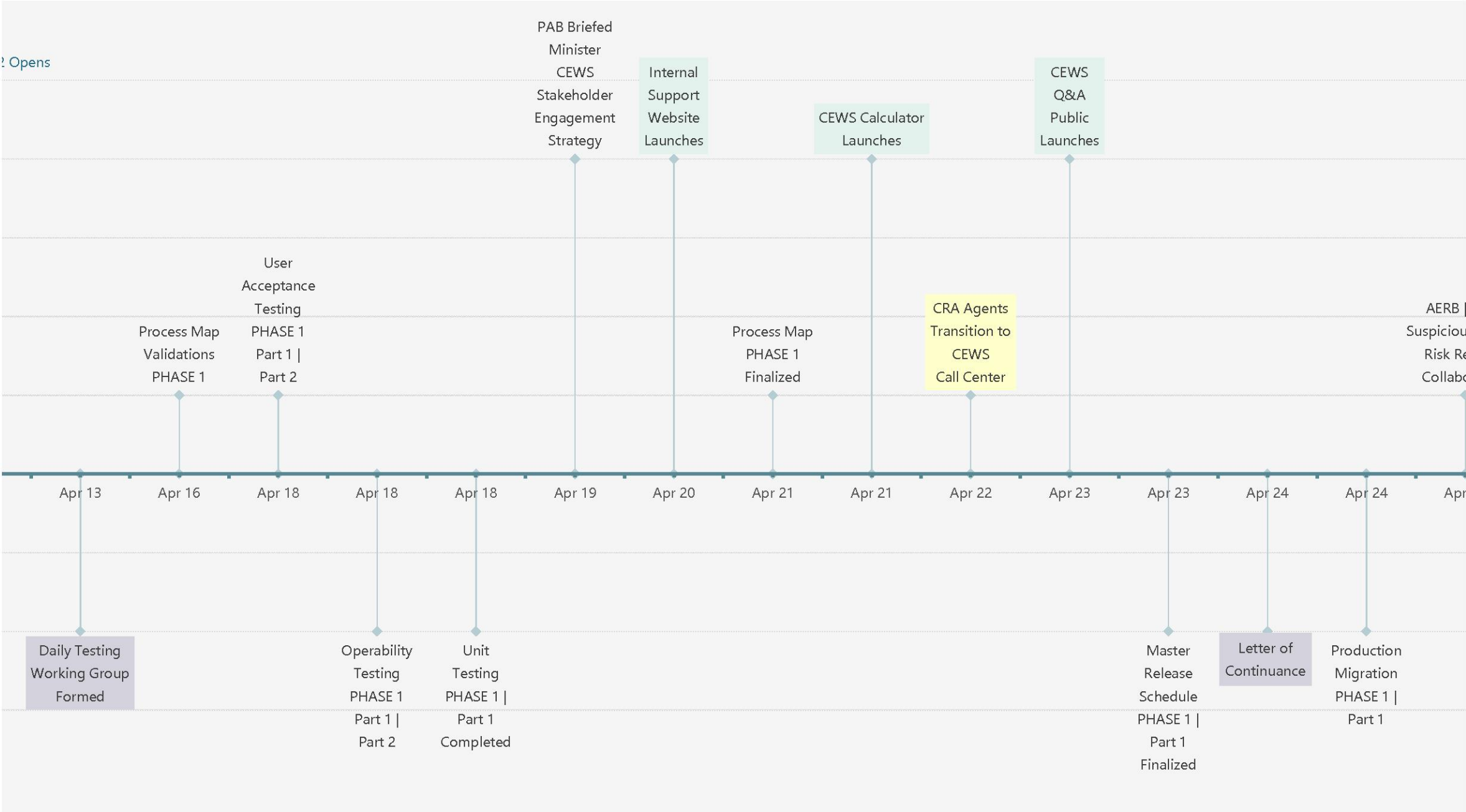
Key Events | Announcements | Communiques

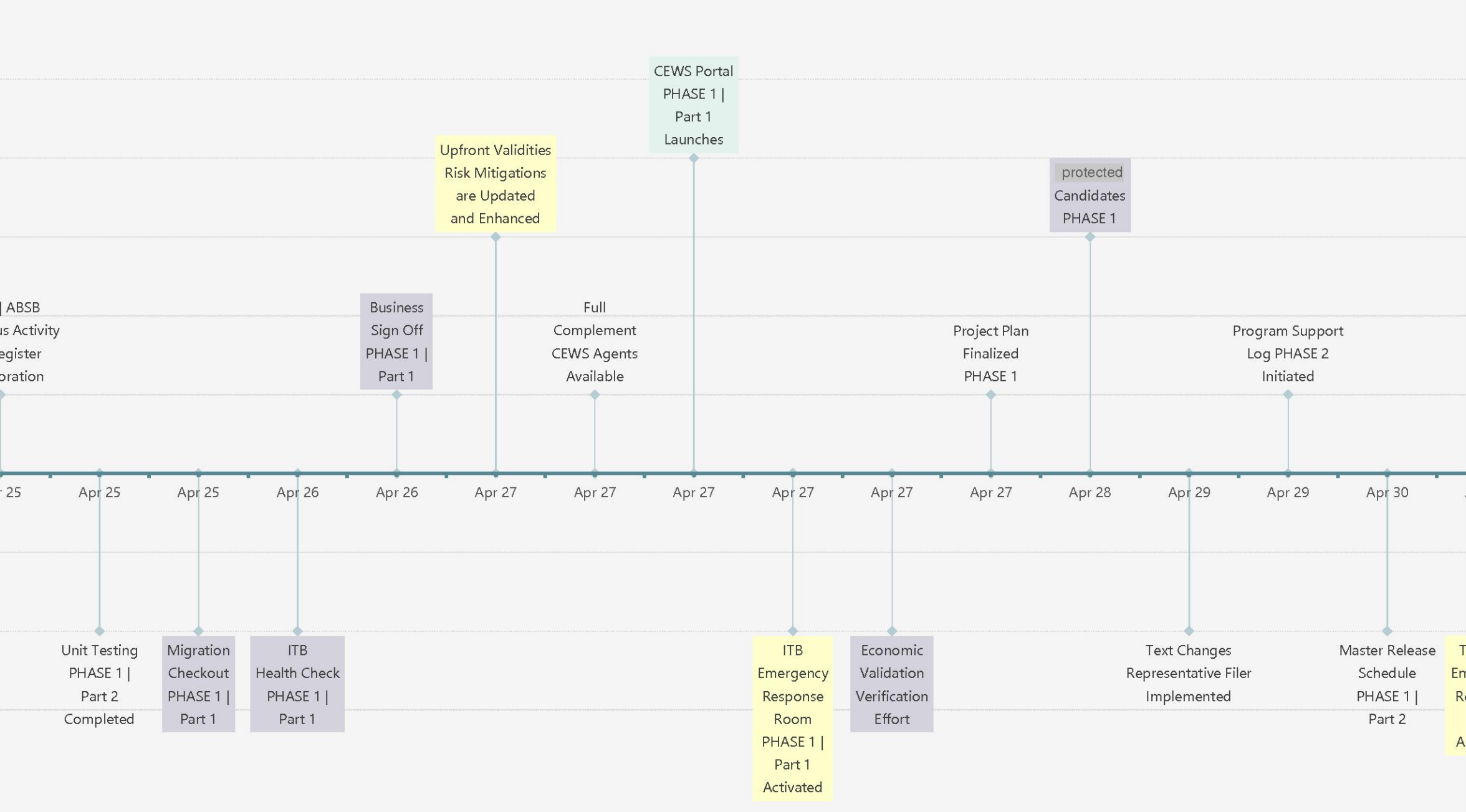
Key Controls

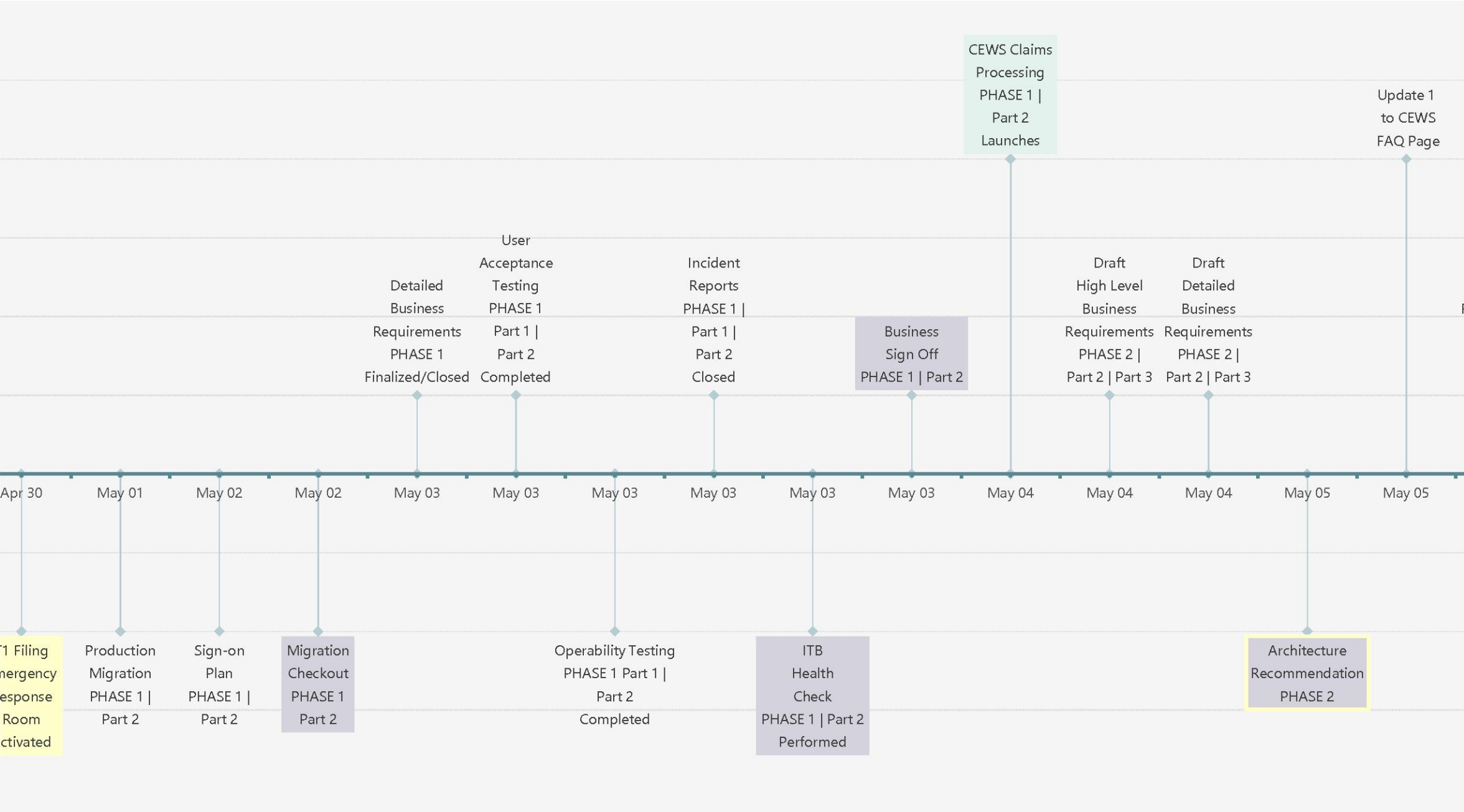
Product Launches

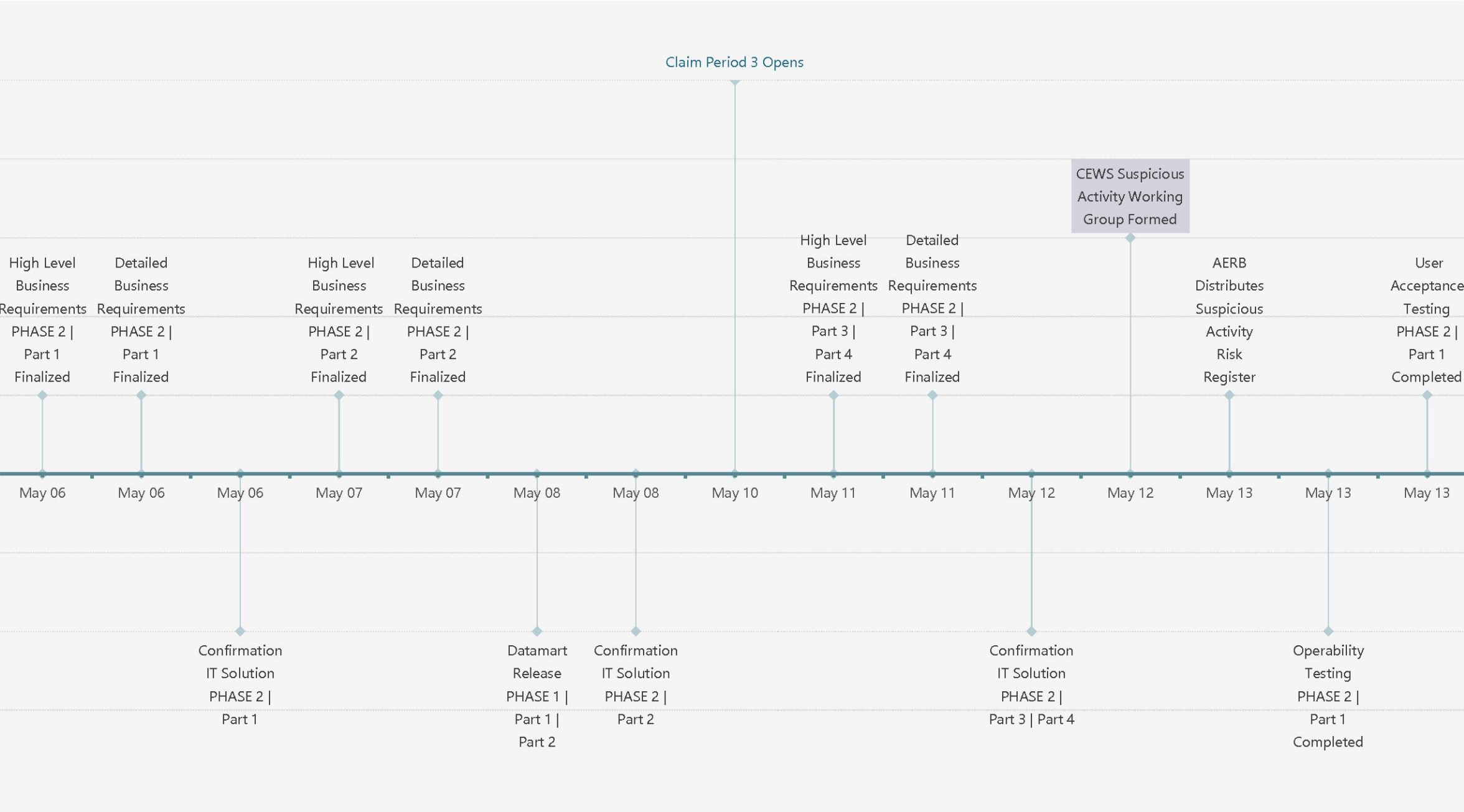


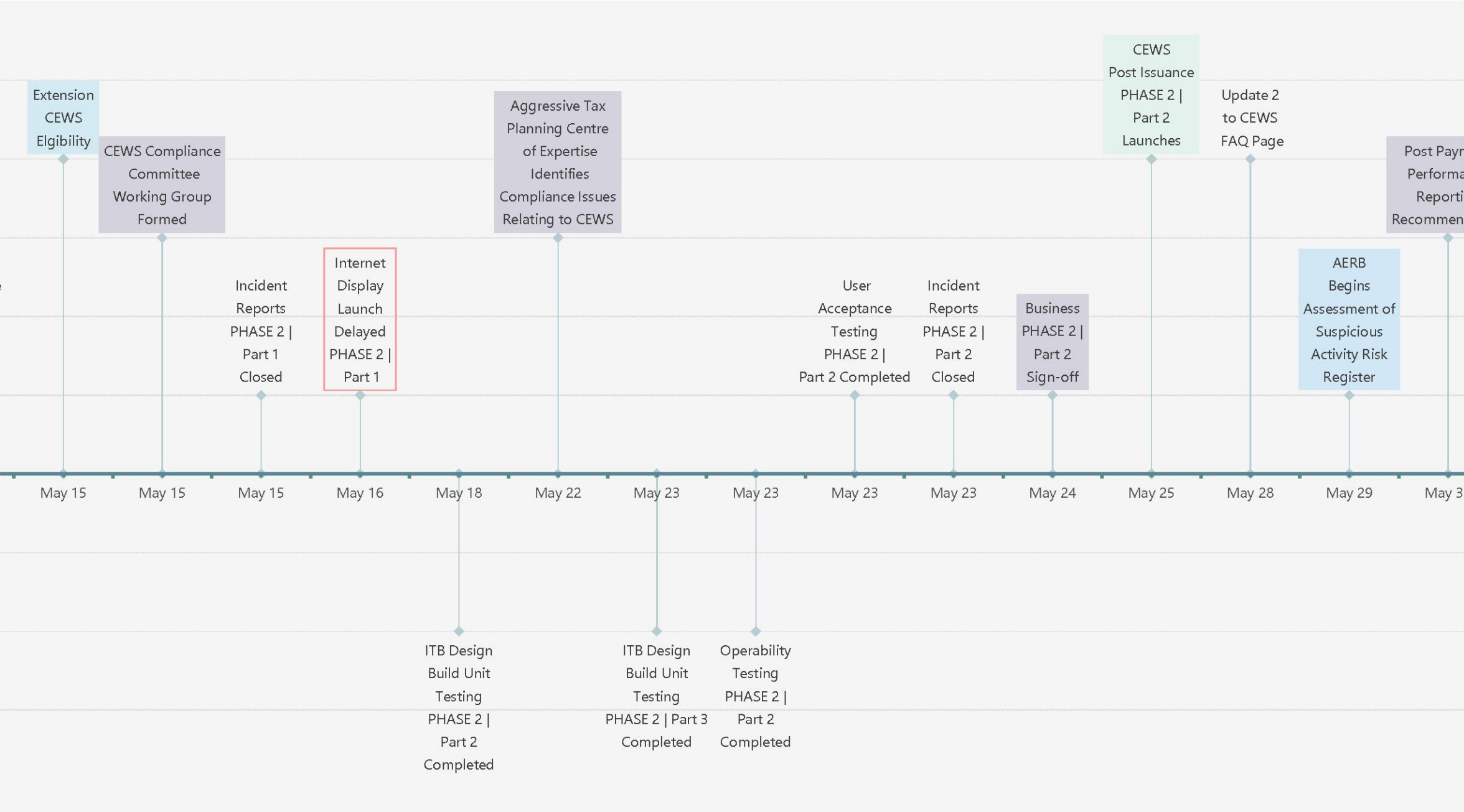


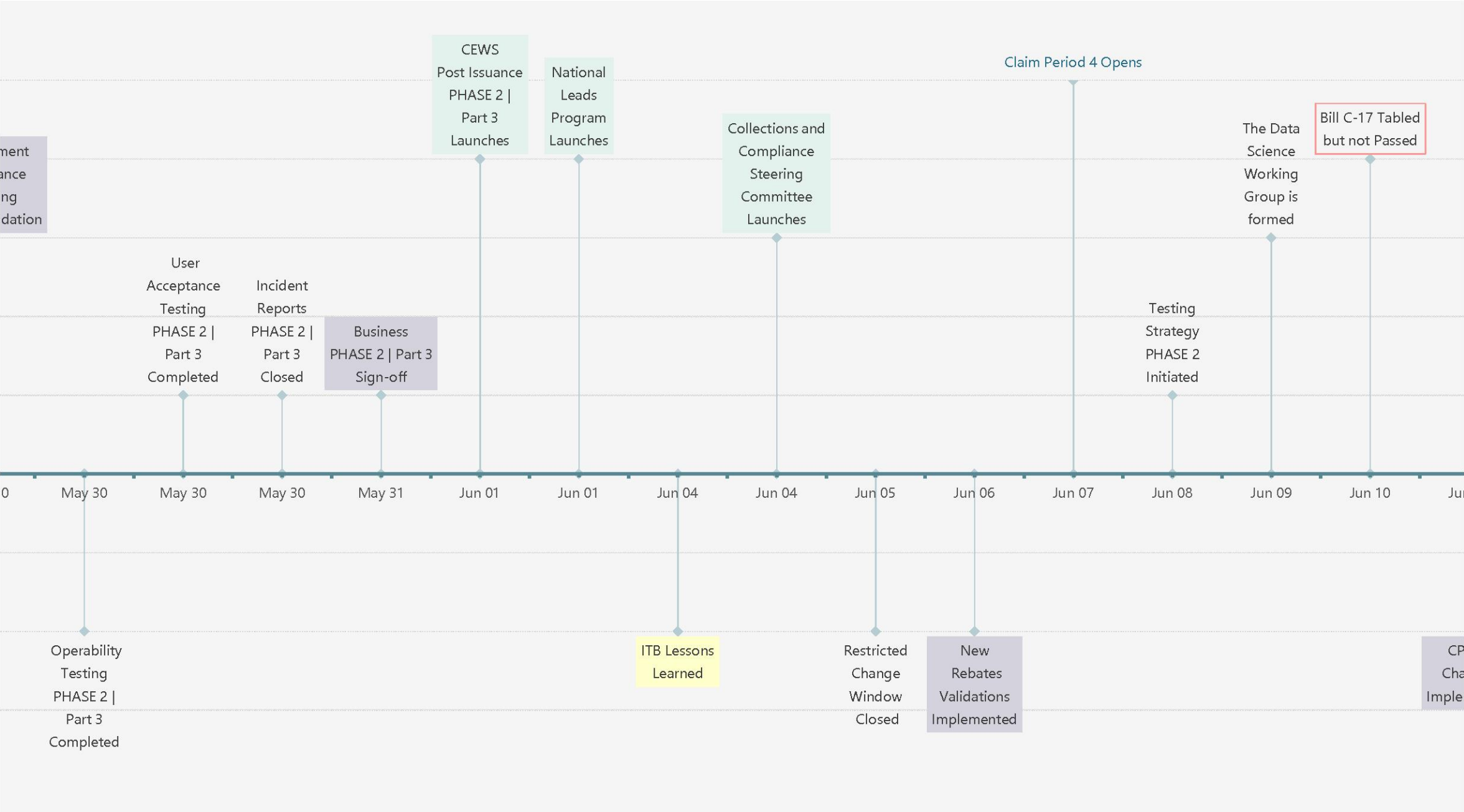


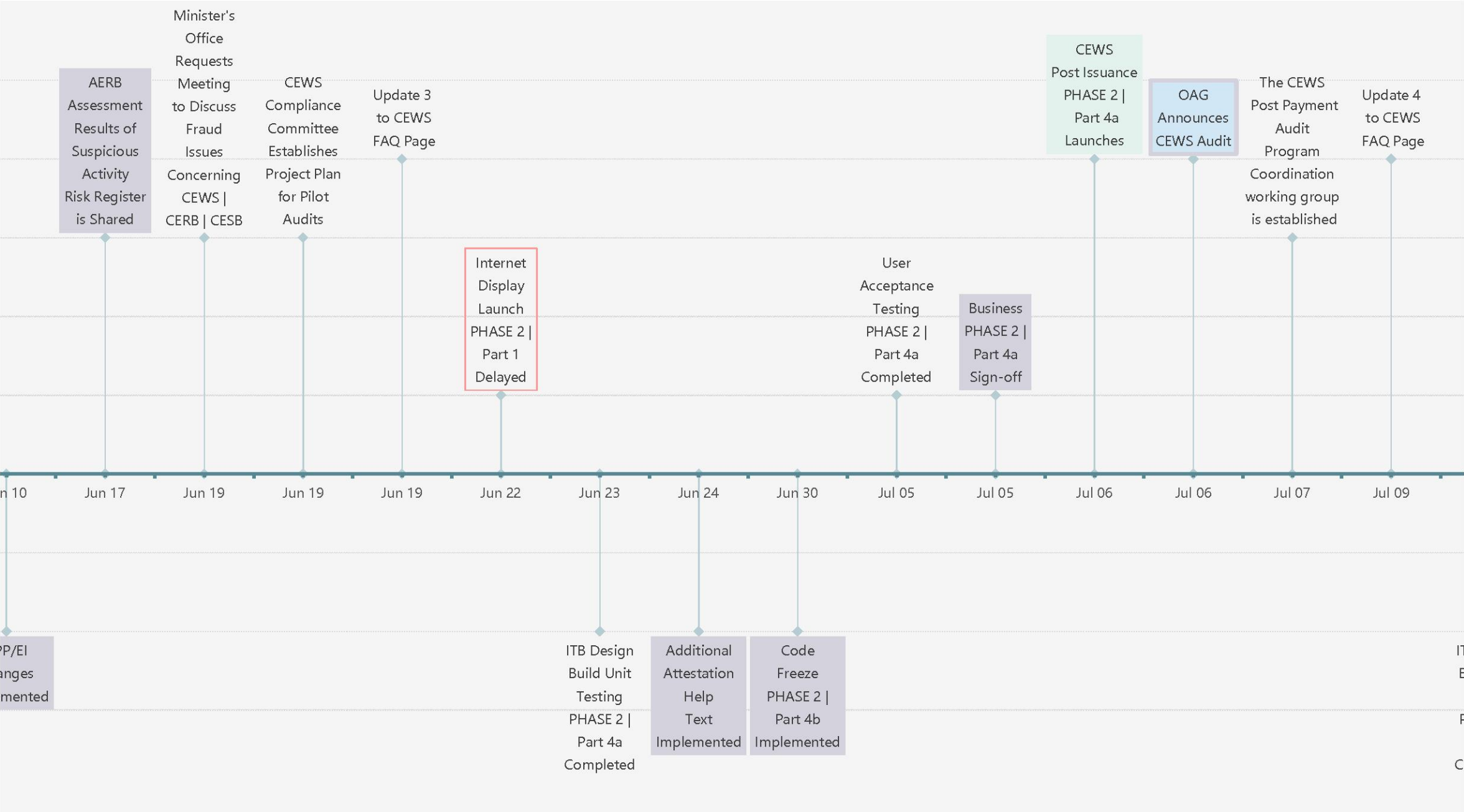


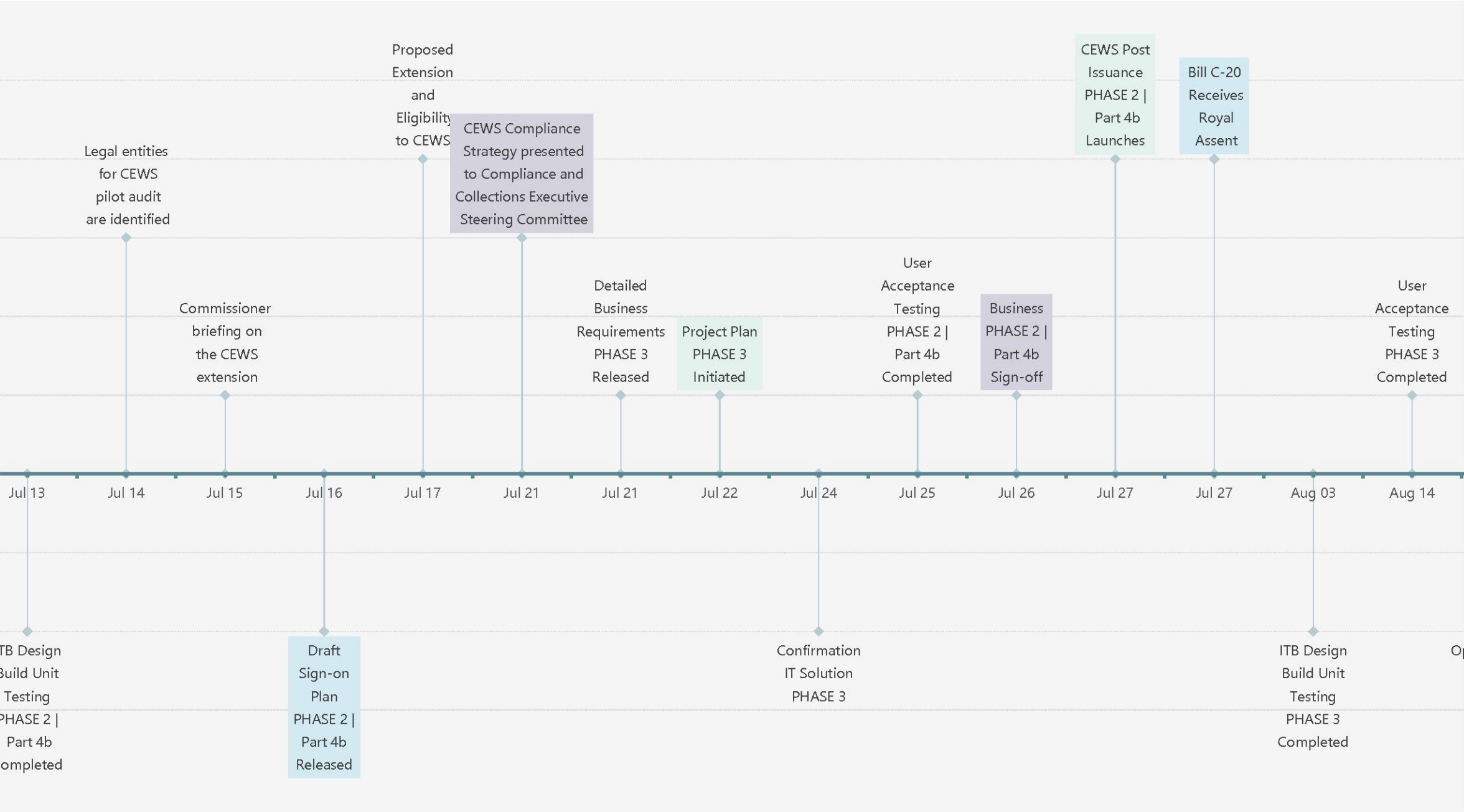


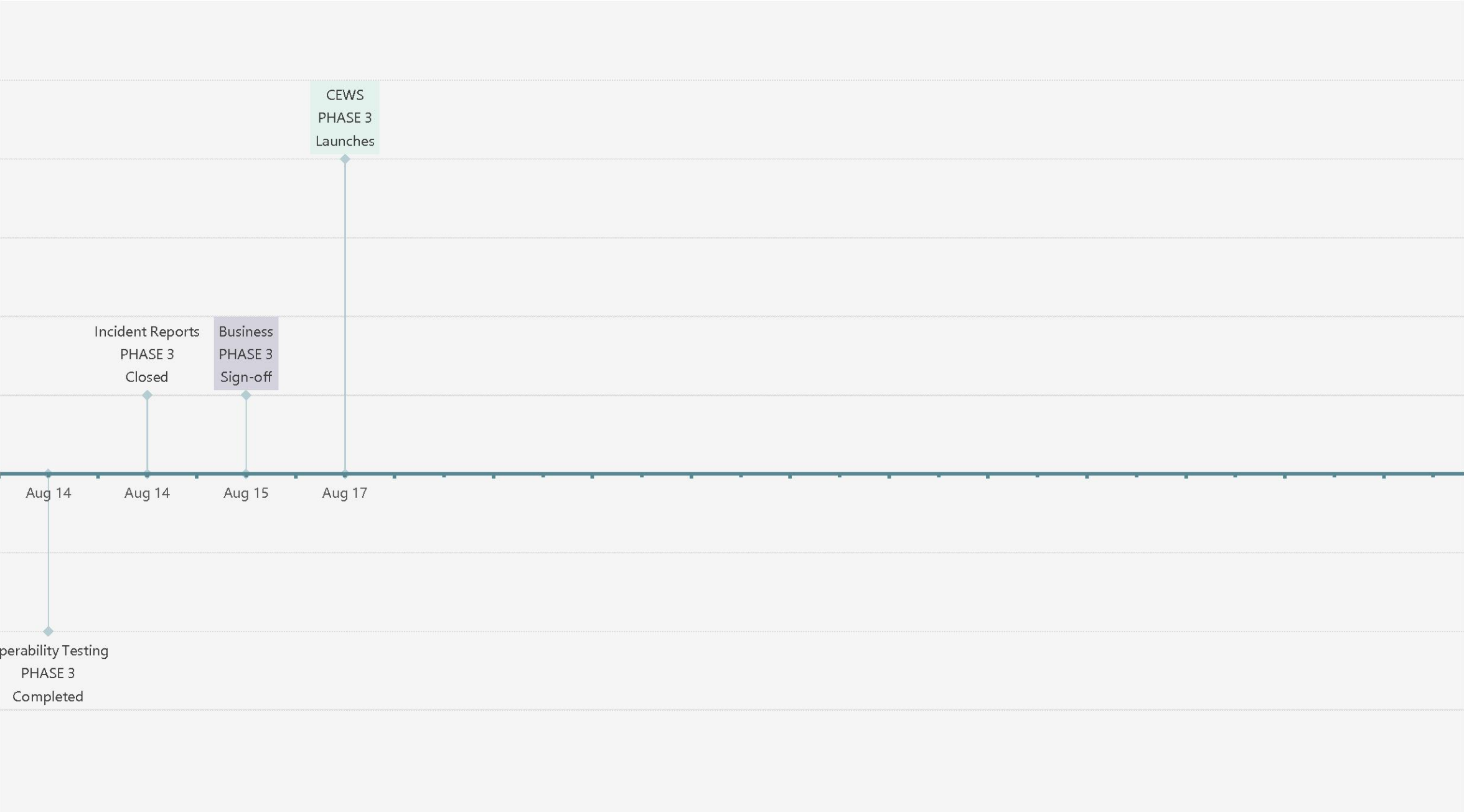












Canada Emergency Wage Subsidy (CEWS)

The CEWS protects jobs by helping businesses keep employees on the payroll, encourage employers to re-hire workers who were previously laid off, and better position Canadian businesses to resume normal operations following the crisis.

As of July 13, 2020 more than 667,400 applications have been approved, providing \$20.38 billion in support.

Period 4 Update

Applications for period 4 of the CEWS (June 7 to July 4) opened **on July 8, 2020**.

- The [existing eligibility criteria](#) continues to apply for period 4.
- CEWS Post-payment Compliance pilot underway
- CEWS Recourse material published online (FAQ #36)

Period 5 Update

On May 15, 2020, the Government announced that the CEWS would be extended by an additional 12 weeks, to August 29, 2020.

On July 14, 2020, the Government announced that the CEWS would be extended until October 24, 2020 with an improved design, with the intent to provide additional support until December 19, 2020.

With the recent announcement and confirmation of desired option, CRA program areas have begun to update the CEWS system and its validities.

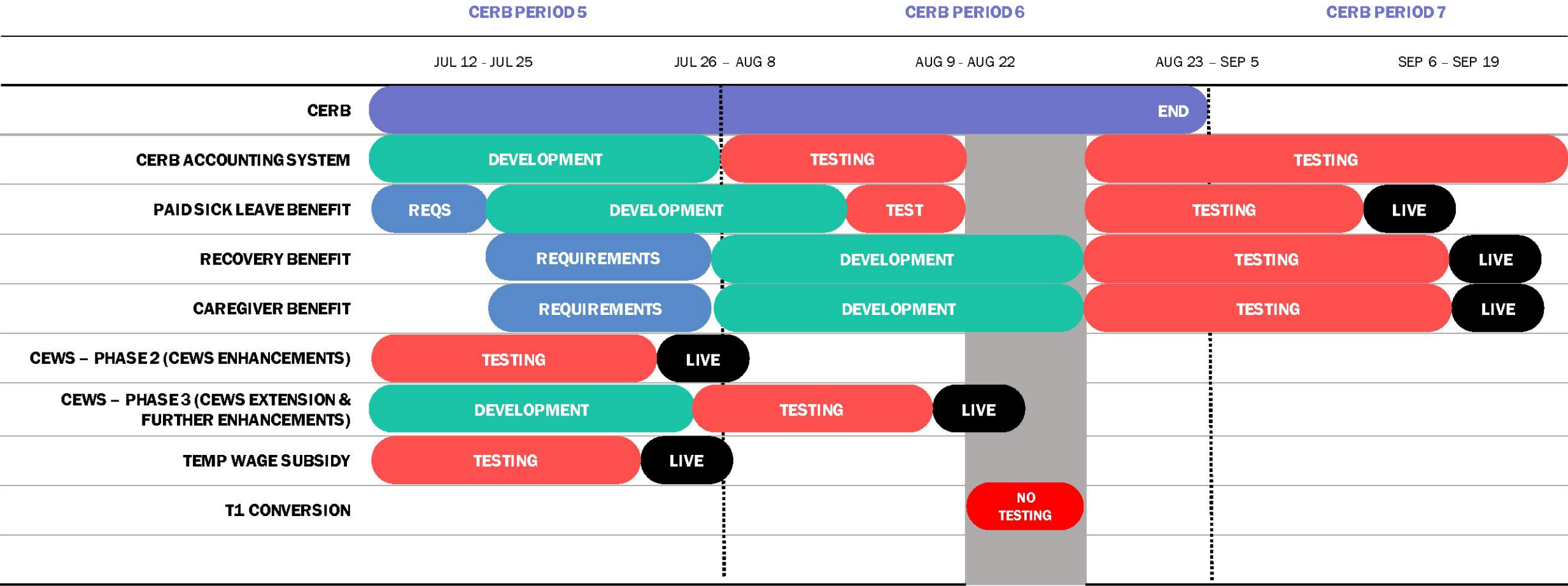
- Implementation of system changes is expected on August 17, 2020.

Corresponding updates will be required for the following (not all-inclusive)

- Call agent and validation officer training material - significant impacts for officers who will be relied on to respond to enquiries and complaints as well as educate the public on the new changes and how to determine and apply the revenue drops.
- Stakeholder engagement material (e.g. Liaison Officer and Outreach) as well as published Canada.ca web materials as needed.
- Attestation - need to amend the attestation to include the different rates for each period which also impacts the online attestation form to be stored in the books and records.
- Adjustment (RAP) Process – will require revisions to allow for the capture of the new fields in order to properly calculate the eligible amounts based on the revenue drops.
- Reports – new data fields will be required to report on and at which frequency.

- Calculator—will require significant changes and needs to match exactly the amounts captured on the web form to ensure that businesses receive the correct subsidy amounts.
- New Questions and Answers will be required in order to provide businesses with the vital information to apply for the CEWS
- Workforce Impacts - due to the changes for the validations, there will be a requirement to develop new procedures and new messaging as well as train all the staff on how to respond to the new workload.

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Canada Emergency Wage Subsidy Assuring Compliance – June 11, 2020

Purpose of the Document

The purpose of this paper is to document the risk mitigation and compliance strategy for the Canada Emergency Wage Subsidy (CEWS) with objective of protecting the integrity of the program. This approach aims to address instances of attempted fraud in the pre-payment environment where recovery post payment may be less successful as well as situations where errors on the part of the applicant could lead to an incorrect claim. The pre-payment validation strategy has evolved over time and the Agency keeps the approach evergreen based on best practices and observations. This document will continue to be updated as the post-payment audit requirements are established in the near future. The Government of Canada's approach to delivering measures to support Canadians affected by the pandemic required the Agency to find the right balance between a simplified and effective approach that would provide timely economic support and the need to ensure the accuracy of applications for the wage subsidy.

Background

In the early weeks of 2020 the world was starting to confront the risks and potential impacts of the COVID-19 virus. The situation moved quickly from a geographically contained illness to a global health crisis and by March of 2020 it was labeled as a pandemic. Governments responded with measures meant to contain the spread of COVID-19 including travel restrictions, physical distancing, closure of offices and restrictions on business activities. The impacts on business and economic activity were (and continue to be) significant and the Government moved to put in place programs aimed at supporting businesses affected by the pandemic. Key to the suite of supports for businesses were wage subsidy programs that intended to keep people paid and associated with their employer to speed the future recovery as well as reduce the pressure on an overburdened Employment Insurance program. The CEWS was planned to be one of the largest support programs for businesses and was provided with a budget of over \$70 billion dollars. It was expected that hundreds of thousands of employers could apply for support to keep millions of employees paid.

The Agency drew on existing fraud prevention measures and systems to put the CEWS validation process in place. The validation measures were developed with a clear view of the integrity trade-offs vs timely payments. The process of engaging many branches in the design and implementation offered an opportunity to deliver the program quickly while implementing a comprehensive pre-payment validation approach. The pre-payment validation strategy is a blend of automated checks and manual reviews that could be scaled to respond to the volume of applications, the desired number of reviews and the availability of a quickly recruited work force of validators. The Agency benefited from opening the application process early and being able to process and review a number of applications in order to test the level of resources required and the nature of additional validity that could be implemented. The progressive uptake of the program and the availability of more than [protected] employees to review claims has resulted in a strong pre-payment validation that covered more than [protected] of the claims submitted. As data analysis and investigation functions continue to mature, assessments of risk and vulnerabilities will continue to be refined, further assisting with the prioritization of post-payment integrity activities.

Canada Emergency Wage Subsidy Overview

In its current form the CEWS will run for a 24 week period, starting March 15, 2020 and ending August 29, 2020. During that period, for eligible employers, the CEWS will subsidize 75% of wages paid to eligible employees, up to a maximum of \$847 per week.

Eligible employers include:

- A corporation (other than a public institution) that is not exempt from tax under Part I of the Income Tax Act (the Act);
- an individual (including a trust);
- a registered charity (other than a public institution);
- a person that is exempt from tax under Part I of the Act (other than a public institution), that is:
 - an agricultural organization;
 - a board of trade or a chamber of commerce;
 - a non-profit corporation for scientific research and experimental development;
 - a labour organization or society;
 - a benevolent or fraternal benefit society or order; and
 - a non-profit organization;
- a partnership, each member of which is a person or partnership described in this list;
- a prescribed organization, including certain Indigenous businesses.

Further, to qualify for the wage subsidy, employers must meet certain conditions including the following:

- had an open payroll program account with the CRA on March 15, 2020;
- experienced the required reduction in revenue for one or more claim period when compared with a previous reference period;
- makes a wage subsidy application for the claim period, in a prescribed form and manner, before October 2020; and
- the individual who has principal responsibility for the eligible employer's financial activities attests that the application mentioned above is complete and accurate in all material respects

An eligible employee, in respect of a week in a claim period, means an individual employed in Canada by the eligible employer in the claim period, as long as the employee has not been without remuneration from the eligible employer in respect of a period of 14 or more consecutive days in the claim period.

Eligible remuneration of an eligible employee means amounts paid to employee as salary, wages, and other remuneration, certain taxable benefits (provided such amounts are actually paid), and fees, commissions or other amounts paid for services. These are amounts for which an eligible employer would generally be required to make payroll deductions to be remitted to the CRA. The following amounts are not considered eligible remuneration:

- a retiring allowance;
- an amount deemed to have been received by the eligible employee as an employment benefit in respect of a stock option agreement;
- any amount received that can reasonably be expected to be paid or returned, directly or indirectly, to the eligible employer or to a person (or a partnership) at the direction of the eligible employer or with whom the eligible employer does not deal at arm's length;
- any amount that is paid in respect of a week in the claim period, if, as part of an arrangement involving the eligible employee and the eligible employer:
 - the amount is in excess of the eligible employee's baseline remuneration,
 - after the claim period, the eligible employee is reasonably expected to be paid a lower weekly amount than their baseline remuneration, and
 - one of the main purposes for the arrangement is to increase the amount of the wage subsidy.

For an eligible employer that qualifies for the wage subsidy, the amount of the wage subsidy for a claim period is the total of the following amounts in respect of the claim period (there is no overall limit on the wage subsidy amount that an eligible employer may claim):

- I. Total of all amounts, each of which is for an eligible employee in respect of a week in the claim period, equal to the greater of
 - a. the least of

- i. 75% of eligible remuneration paid to the eligible employee in respect of that week,
 - ii. \$847, and
 - iii. if the eligible employee does not deal at arm's length with the eligible employer in the claim period, \$0, and
 - b. the least of
 - i. the amount of eligible remuneration paid to the eligible employee in respect of that week,
 - ii. 75% of baseline remuneration in respect of the eligible employee determined for that week, and
 - iii. \$847;
- II. Total of the employer contributions to Employment Insurance, the Canada Pension Plan, the Quebec Pension Plan, and the Quebec Parental Insurance Plan for an eligible employee for each week in the claim period throughout which week that employee is on leave with pay and for which claim period the employer is eligible for the wage subsidy for the employee (Note).
Less:
- III. Total of all amounts claimed or intended to be claimed under the 10% Temporary Wage Subsidy for Employers, by the eligible employer that qualifies for the Canada Emergency Wage Subsidy for the claim period; and
- IV. Total of all amounts received by the eligible employee for each week in the claim period as a work-sharing benefit under the Employment Insurance Act.

Assumptions

In designing and implementing the validities for the program, the Agency has made the following key assumptions:

- The objective is to maximize payments in the short-term (currently a 12 week period starting on March 15, 2020) and to flow money as quickly as possible to employers;
- In the interest of an expedited application and payment process, limited information will be requested from businesses at the outset;
- Businesses and their representatives may have a reduced ability to respond to requests for additional information as part of an upfront validation process due to impacts of the COVID 19 pandemic;
- The tolerance for denying access to the subsidy or delaying payments to business will be low (dependant on measure in legislation);
- The time available to build and test the application from an information technology perspective is limited so up front validation must address the core eligibility criteria for the CEWS in the interest of simplicity;
- The tolerance for errors or missed time frames for the implementation of the CEWS solution will be very low;
- The CRA will implement a post-payment validation process for CEWS payments, as it does in the course of normal tax administration;
- There will be fraudulent applications for the CEWS and not all of these will be intercepted at the time of payment;
- Some payments made to businesses that do not respect the program criteria will be made and will not be recoverable;
- Payments will be made to businesses that will later become insolvent and little will be recoverable in such cases; and
- The Government is prepared to tolerate these risks in the interest of providing support to businesses.
- The solution will allow for continued refinement and the introduction of new validations based on lessons learned and trends in the application process.

Over the course of time, the program has evolved and changes were announced by the Government but most of these assumptions remain relevant and guide decisions on enhancement to the risk mitigation and validation strategy.

Compliance Risks and Strategies

The objective of validation at the time of application is to manage risk associated with fraud where post-assessment compliance work is not likely to be effective. The government announced that the CEWS would be premised on an attestation approach and up-front information provision would be limited. Couple this with an expectation of rapid payment of the subsidy, and the risk of fraud increases. The CRA employed the following strategies to reduce the risk with the following approaches:

- Deterrence - messages from the Minister of Finance stated that there would be severe penalties for those who take advantage of the CEWS and that the CRA would be enabled/equipped (authorities and staff) to identify and address cases of abuse. These messages are included in the process of application and businesses, by submitting the application, are stating the information they provide is accurate and acknowledge that if it is not, they could be subject to compliance responses that will correct the amount paid and remove the advantage gained in some cases through the application of penalties.
- Intervention – fundamental checks are built into CEWS application processing to increase confidence that the application is valid (e.g. employer account in existence before a certain date, payroll information provided on the application is reasonable based on history, address and direct deposit information does not appear to be manipulated to facilitate fraud, revenue decline claims align to historical information held in CRA systems). These elements of the validation strategy leverage existing antifraud indicators to intercept payments such as with T1 and GST refund integrity activities.

There is also the risk of inaccurate claims such that a business may claim too much or too little. This could be a function of limited time and information available to both the applicant or the CRA and is not necessarily an attempt to commit a fraudulent act. In the normal administration of tax programs by the CRA, 90% of all claims/returns are processed as presented (with some upfront validation) and errors become the subject of after the fact verification/audit activities as well as taxpayer requested changes, should they identify the mistake. The following approaches have been used to limit exposure risks associated with inaccurate claims:

- Education (upfront) – clear guidance and instructions at the time of application can reduce the number of applications with inadvertent errors. This is built into the portal and web based application built by Assessment, Benefits and Services. Public Affairs has a role from a plain language perspective as well as ensuring the instructions in both official languages are the same. The Agency implemented an outreach strategy to raise awareness and assess any adjustments that could be done to the process before and after the launch of the program.
- Interventions (usually involving contact with the business post-payment) – the CRA uses a risk based approach drawing on current risk assessment processes to identify issues or errors in the claims and select the best approach to resolution. Some post-payment contact will be required and this may be done by dedicated verification and audit projects or it may be built into existing activities where the CRA has a regular and ongoing relationship with the entity (such as what might exist in large file) or in cases where the business has been selected for audit/verification based on other risk factors. In certain instances, the CRA will do nothing about the errors or compliance issues identified given an assessment of risk protected
protected

The CRA applied a risk management and containment strategy through the use of a dollar based threshold, with claims exceeding a certain dollar amount being selected for pre-payment validation. This approach was deemed appropriate where the CRA did not have other information to draw on to determine risk and the case is not assessed to be potentially fraudulent.

There is also the possibility that businesses will receive support more than they are entitled to under multiple programs when they should have received it only from one or for a certain maximum. Specifically, Employers are required to reduce the amount claimed under CEWS by any amounts received under the Temporary Wage Subsidy Program (the 10% program). Actual information about the employer's use of the TWS will not be known until later in the 2020 calendar year or perhaps as late as February 2021 when the T4 information return and summary is filed. The following approaches have been employed to reduce errors of this nature:

- Education (upfront) – clear guidance and instructions at the time of application can reduce the number of applications with inadvertent errors. This is built into the portal and web based application built by Assessment, Benefits and Services. The Agency has used a plain language perspective as well as ensuring the instructions in both official languages were the same.
- After the fact interventions (usually requiring contact with the business post-payment) – the design of this will follow the application process and payment of claims. It is anticipated that the comparison of information from a number of sources including T4 information returns, T2 tax returns and T1 tax returns would provide indications of duplicated claims. Changes to T4 slips, T1 and T2 returns/schedules and news slips for CERB payments are under development.

Pre-Payment Risk Mitigation Strategy

The CEWS program was premised on the understanding that the Government wished to flow money quickly to businesses in need of support. To achieve this, the application approach would rely on the attestation of the business as a central element to the processing of wage subsidy claims, combined with a strong deterrence framework (e.g. penalties) as well as a combination of upfront validation and post-payment auditing to reduce fraud and ensure the validity of the claim.

While pre-payment validation provides some safeguards at the time of application, the CRA also works to reduce common mistakes through education and an application process that has go/no go gates, comprehensive instructions/FAQs and embedded examples with calculation tools. The pre-payment validities identified initially to be built into the CEWS application and processing were in two groups. Many of these validities already existed in programs administered by the Agency which presented an opportunity for the delivery of CEWS, such as for example **protected** or some indicator and fraud related indicators such as **protected**. New ones were built such as the validation of payroll history.

The first group of validities were go/no-go tests as follows:

- Eligible employer by type of entity – type of business is on the qualified list in legislation;
- BN account was in existence before March 15 – as per legislative requirement; and
- Payroll account open before March 15 for that BN – as per legislative requirement.

The second group of validities were tolerances based on characteristics of the application:

- **protected** – supplied by the Compliance Programs Branch;
- **protected** – supplied by the Compliance Programs Branch **protected**
protected
- Over threshold claims review – 100% of claims over **protected** dollars reviewed – **protected**
- **protected**
- **protected**
- Payroll parameters test – refer for review if **protected** **protected** as per payroll history; and,
- Payroll parameters test – enhanced to refer claim for manual validation **protected** **protected** **protected**

During the development period of the IT application for CEWS and further to testing of applications between the initial application date and the start of processing, the Agency identified enhancements to the original pre-payment compliance strategy. Further to the original work of early April 2020, the following adjustments and additions were able to be included:

- Over threshold claims review – threshold lowered so that 100% of claims over protected dollars are reviewed;
- protected – supplied by the Collections and Verification Branch based on protected
- Tracking of IP addresses for each application – protected protected
- protected
- Duplicate BN or RP account applications controls – only one application per account accepted by the CEWS solution – indicator for fraud;
- protected
-
- Delay on PSPC payment issuance – payment instructions sent to PSPC are held for one day prior to processing to allow for the intercept of payments should issues be late in the process;
- Establishment of a suspicious activities working group – comprised of representatives from across the CRA – indicator for fraud;
- Enhanced T4 reporting for 2020 – additional information will be required on T4s for 2020 to assist in post payment verification; and
- CPP/EI reasonableness test – ensures that the CPP and EI rebate amounts in the application for the employer portions for employees on furlough are not overstated.

The design of the pre-payment validation strategy included the ability to turn off certain validities or change thresholds dynamically in order to calibrate the number of cases and accordingly the level of resources.

The effect of putting these conditions and validities in place prior to payment is that certain applications are pulled out of the automated processing stream and referred for review by an officer. To deal with the referred cases, the CRA recruited from its ranks, equipped and trained over protected validators. These validators were drawn from the compliance, service and return processing organizations in the CRA and were comprised of auditors, payroll examiners, verification officers and business number services officers. The CRA created this workforce with the dual intent of ensuring that needed capacity existed to review referred CEWS applications while still processing the referrals within a relatively short period of time so as to not delay support to legitimate employers. In addition to this workforce located throughout the regions of Canada and teleworking from their homes, the CRA created dedicated units in Headquarters to provide technical support to the field officers where cases presented features beyond that described on the broad procedures.

Further, it is important to note that the CRA was able to review a higher percentage of applications than was initially anticipated. Typical referral rates for manual review for CEWS have been in the range of protected for the first period. The working assumption was that protected % of files would be reviewed given the number of officers available to undertake this work and the goal of a fast turnaround time to support the Canadian economy. However the slower start to the program allowed the CRA to start with and maintain a higher than planned review rate even as volumes increase in subsequent periods as there will be confidence in the claims of repeat applicants that have passed a previous period review.

In addition to pre-payment validations, the CRA increased its service offerings to businesses beyond its usual capacity for business inquiries. Call centre capacity was increased with dedicated lines for CEWS questions and referral process was put in place to allow more complicated questions to be referred to a more experienced business inquiries agent. The CEWS application included comprehensive instructions, examples and an Excel based calculator to assist the employer with their application. The CRA published and regularly updated a comprehensive set of Frequently Asked Questions based on stakeholder feedback. Outreach efforts to support voluntary compliance on the part of the employer has been a cooperative effort across many branches including Assessment, Benefits and Services, Collections and Verification, Compliance Programs, Legislative Policy and Regulatory Affairs and Public Affairs. Many stakeholder engagement sessions have been held and the recently deployed Chatbot was also used to respond to the information needs of CEWS applicants. The intended effect of these measures was to assist the employer in getting it right from the start so that they would not find themselves referred for review as a result of avoidable errors.

Between a robust pre-payment validation process that included a high review rate, supplemented service capacity on the telephones and significant self help tools online and embedded in the application process the CRA sought to realize a high level of accuracy of claims on the part of employers. Further, is due diligence on the part of the CRA to identify and correct cases where the application sought to take advantage of the subsidy when the applicant was not entitled to the support.

Post Payment Audit and Verification

Building on the pre-payment strategy for CEWS claims validation, the CRA is now building a post payment audit and verification program. The post payment audit and verification program will be a coordinated effort across multiple CRA Branches and will draw on the capacity of auditors, payroll examiners, verification officers, charities officers and experts in business intelligence and risk assessment. The CEWS post payment audit and verification program will be treated as one workload, managed on a single case system and risk scored using jointly developed algorithms. Tips from the public obtained through the CRA's leads program will also serve as a source of workload. This approach will allow for better coordination of compliance and verification activities.

The design of the post-payment audit and verification program includes:

- Population identification and Segmentation;
- Risk assessment;
- Analytics and Data Science;
- Workload distribution and Assignment ;
- Audit/Verification Scope, Procedures and Training;
- Compliance Tracking;
- Time Reporting;
- Communication; and
- Results Reporting.

Each of these aspects of the post payment audit and verification program will be developed in more detail in a separate document and ultimately will be the basis for detailed procedures and instructions for officers and auditors. Further, this more detailed information will inform business requirements for system changes and the development of risk assessment algorithms. Once the CEWS population is risk assessed, the files selected for audit and verification will be distributed to CRA staff according to case characteristics that may include, complexity, size of claim, corporate structure and tax filing features, payroll metric and other factors the CRA may identify in the future.

It is planned to launch the full CEWS post payment audit and verification program in the late summer or early fall but pilot audits and verifications will be conducted in the second quarter of the 2020-2021. These pilot audits and verifications will serve notice to businesses that the CRA

intents on examining claims made as well as providing valuable business intelligence to assist in risk scoring, file selection and file allocation. The CRA will use its existing audit case management system, known as Integras, for the CEWS post payment audit and verification program and will expand its traditional user base beyond the audit group to include officers from other branches that have a role in the verification and examination of business' books, records and tax returns.

The success of the post payment audit and verification program will be premised on cross branch collaboration – a continuation of the unprecedented efforts that have been seen during the COVID-19 pandemic response. Appropriate governance will also be in place which will include an Assistant Commissioner Steering Committee, Director General Oversight, and Director led working groups. While there will be program specific oversight, execution of the program will occur through the existing management structures of the CRA in both Headquarters and the Regions.

Appendix A - Canada Emergency Wage Subsidy Validations

The content in the following table is intended to documents, on an ongoing basis, the CEWS validities in place at the time of application.

Process flow	Comments
Initial Pre-Payment Validities – April 6, 2020	
Eligible employer by type of entity	<ul style="list-style-type: none">The type of business is on the qualified list in legislation
A BN account exists and was established prior to March 15	<ul style="list-style-type: none">As per legislative requirement
A payroll account exists and was established prior to March 15	<ul style="list-style-type: none">As per legislative requirement
protected	<ul style="list-style-type: none">Supplied by Compliance Programs protected protected
protected	<ul style="list-style-type: none">Supplied by Compliance Programs – protected protected
Use of an upper threshold – claims over a certain amount to be reviewed manually	<ul style="list-style-type: none">All payments over protected referred for review by CPB before payment.This threshold is recommended by CPB and subsequently reduced to protected based on referral rates and resource availability.
Use of a lower threshold – claims under a certain amount processed without review	<ul style="list-style-type: none">All payments under a certain threshold to be released without review base on low dollar risk and materialityThis threshold is recommended by CVB and aligns with risk driven business rules in collections and verification
protected	
Verification of payroll metrics – historical payroll check	protected

Verification of payroll metrics – historical payroll check	<ul style="list-style-type: none">protected
Verification of the requested amount – amount of claim is calculated by the employer	<ul style="list-style-type: none">Calculation tool is built into the application process, to avoid math errors and to ensure that both the CRA and the employer know the amount of the payment to be issued.
Additional Validities – Implemented prior to initial CEWS applications	
Over threshold claims review reduction	<ul style="list-style-type: none">Threshold lowered so that 100% of claims over protected dollars are reviewed
protected	
Gathering/Tracking of IP address	<ul style="list-style-type: none">IP address from source of application captured/trackedprotected
protected	
Duplicate BN or RP account application	<ul style="list-style-type: none">Validity to allow only one application per BN and 15 digit RP accountSecond and/or subsequent applications for the same period on the same account rejected
protected	
Direct Deposit sign up via financial institutions	<ul style="list-style-type: none">Direct Deposit sign up confidence enhanced when done through a trusted third party
Delay on PSPC payment issuance	<ul style="list-style-type: none">Payment sent to PSPC are held one day prior to processing to allow for the intercept of payments should there be a late identified compliance issue
Suspicious Activities Group	<ul style="list-style-type: none">Suspicious activities working group with member from multiple branches and programs established to share information on indicators of possible fraud attempts or patterns of fraudulent activities
Enhanced T4 reporting	<ul style="list-style-type: none">Additional information will be required from employers on T4s for 2020Four additional income codes will be added for periods that cover both CEWS and CERB

	<ul style="list-style-type: none">• While largely aimed at CERB compliance, these codes may also provide information for CEWS post payment verification and audit activities
Post Payment Audit and Verification	<ul style="list-style-type: none">• A post payment compliance program is under development• Implementation will be the responsibility of CVB and CPB• Risk assessment and file selection will be informed by a pilot audit project to be undertaken in the summer and early fall of 2020

COVID-19 EMERGENCY SUPPORT MEASURES

COMBATING FRAUD

BACKGROUND

The Canada Revenue Agency (CRA) has worked rapidly over the past months to administer the programs related to COVID-19 to deliver emergency payments quickly to Canadians who needed it most.

There is considerable ambiguity in the ways in which external stakeholders apply the word fraud and this is particularly applicable to the Canada Emergency Response Benefit (CERB), the Canada Emergency Student Benefit (CESB), and the Canada Emergency Wage Subsidy (CEWS).

In particular, as these programs are new, were launched quickly, and the program parameters were adjusted through the rollout period, the range of non-compliance is broad and nuanced.

PREVENTION AND DETECTION

The CRA has safeguards in place to prevent high risk or potentially suspicious applications from being made in relation to the recent emergency measures, such as the CERB, CESB, and the CEWS.

In certain situations, where the CRA determines that the applicant may not be eligible to receive the benefit, the CRA may ask Canadians additional questions before a payment can be issued. For example:

protected

As with other benefits administered by the CRA, we will undertake verification activities. The CRA has records of those who received the CERB and the CESB for all application periods. These will be used, along with tax slips received from employers and other relevant information available to the CRA, to validate eligibility next tax filing season. Any payments found to have been made to an individual deemed ineligible will need to be repaid. In cases where claimants are found to be ineligible, they will be contacted to make arrangements to repay any applicable amounts.

CERB data

As of June 17th, 2020 the CRA has:

- Processed 14,062,353 applications; and
- Paid \$28.12 billion in benefits.

CESB data:

As of June 17th, 2020 the CRA has:

- Processed 923,787 applications; and
- Paid \$1.27 billion in benefits.

As of June 16th, 2020 Canadians have made 320,000 repayments for payments that were deemed ineligible to receive the benefit.

The following is Collections and Verification Branch's (CVB) CERB/CESB Secondary Validation Data as of June 14, 2020:

- 74,156 applications have been stopped as a result of our validations.
- 8,283 unique telephone calls have been received in regards to these validations.

COVID-19 EMERGENCY SUPPORT MEASURES

COMBATING FRAUD

UP-FRONT VALIDATIONS AND CONTROLS

There are currently two types of validities in place for CERB/CESB applications:

1. *Primary Validations* - Assessment, Benefit, and Service Branch (ABSB) is responsible for primary validations. The CERB/CESB application process contains certain validities that were part of the initial build (SIN, Date of Birth, etc.).
2. *Secondary Validations* - to supplement primary validities, CVB has worked with the Information Technology Branch (ITB) and ABSB to introduce additional validities.

On May 11, 2020, CVB implemented controls to prevent applications where there are known cases of identity theft and suspicious activities from being made. Specifically, CERB/CESB applications are interrupted where there are known bad actors, addresses, and direct deposit information. We also put in place validations to reduce occurrences where benefits may be issued to those who are not entitled to it and where post-payment compliance actions may not result in debt recovery.

In these instances, Canadians are redirected to call the CRA to process their applications, permitting up-front verification of identity and eligibility requirements before future payments can be issued. CVB has established a dedicated centre of expertise (COE) to facilitate resolution on these cases. This COE is located in the Sudbury TC and is composed of Agency subject matter experts in the refund exam, identify theft, and benefit compliance workloads. The COE is currently being extended nationally. Given the number of calls received, we find our secondary validations to be relevant and efficient. We continue to assess new validations based on the intelligence we are gathering.

IDENTIFYING CASES FOR SECONDARY VALIDATIONS

CVB is leveraging various sources to identify candidates for secondary validations. Our sources include:

- Business intelligence driven from CVB individual tax compliance programs.
- CRA Leads Program and CRA General Enquiries Call Centres.
- Data Analytics focused on current trends (conducted in-house through TBID or through ITB).
- External partners, including OGDs and financial institutions.

INVESTIGATING FRAUD CASES AND RE-ISSUING BENEFIT PAYMENTS

The CVB COE investigates all reported cases of suspected identity theft and works with the individual to ensure that they get the benefits to which they are entitled. The process includes:

1. stopping unwarranted payments upon detection;
2. providing support to identity theft victims to help them deal with the situation;
3. flagging the account for future monitoring;
4. re-issuing benefit payments to the victims where applicable (effective June 22, 2020); and
5. working with the Royal Canadian Mounted Police, the Canadian Anti-Fraud Centre, and the local police service to investigate and address certain fraud cases

COVID-19 EMERGENCY SUPPORT MEASURES

COMBATING FRAUD

In summary, if an individual has been the victim of identity theft and a payment was misdirected, safeguards will be implemented on their account to prevent further unauthorized payments from being issued. A mechanism to reissue the payment to the individual is currently being developed in collaboration with Public Services and Procurement Canada. The Agency is also developing a mechanism to ensure that these individuals will not be impacted during next tax filing season as a result of fraudulent applications or unwarranted payments issued on their behalf.

CANADA EMERGENCY WAGES SUBSIDY (CEWS)

For the CEWS, the CRA uses both an automated validation process and manually verifies certain elements of the claims when necessary. Manual verification can include contacting applicants directly to confirm details of their application.

The CRA will begin conducting pilot post-payment audits in July. Based on the results of this pilot, more audits will be conducted in the fall. CEWS claims that are determined to be fraudulent may also be subject to a criminal investigation.

It is important to note that there is nothing in the CEWS legislation that would specifically enable the CRA to deny claims based on tax evasion or tax avoidance unrelated to the CEWS eligibility criteria, therefore, no claims have been rejected on that basis.

CEWS data:

CRA's data for the CEWS applications is updated daily, however, as of June 17th, 2020 the CRA has

- Received 488,414 applications;
- Approved 481,926 applications;
- Rejected over 2221 applications;
- 4510 applications are pending and;
- \$14.21 billion paid in subsidies.

In addition, there has been over 70,000 files reviewed to confirm recent address and direct deposit changes with businesses in an effort to detect fraud.

NOT FRAUD – NEEDING TO REPAY

There are many taxpayers who would have been in receipt of EI or CERB and entitled to receive these benefits from the CRA, only to subsequently be placed in a repayment position when their employers recalled them to work and paid their salaries retroactively.

There are other citizens who applied for these benefits using more than one mechanism or who were legitimately confused over their eligibility who may have received the payments, but were not entitled to them.

Complicating this, we are aware of promised changes that would make currently invalid CEWS valid if a new legislation is introduced and passed.

NOT FRAUD – NEEDING TO REPAY CEWS WITH PENALTIES

Penalties for not repaying any ineligible payments would be applied in the following scenarios:

COVID-19 EMERGENCY SUPPORT MEASURES

COMBATING FRAUD

Where the CEWS anti-avoidance rule applies, the employer will be liable to a penalty equal to 25% of the amount of wage subsidy that is claimed in its application, and will have to pay back any wage subsidy that it received.

If an employer knowingly, or under circumstances amounting to gross negligence, generally makes, or is involved in the making of a false statement or omission in its wage subsidy application for a claim period, the employer is liable to a penalty (commonly referred to as the “gross negligence penalty”) of up to 50% of the difference between the amount of wage subsidy that it claimed in its application and the amount of wage subsidy to which it is actually entitled.

Penalties may apply in cases of fraudulent claims. The penalties may include fines or even imprisonment. Finally, if a person (such as an accountant or tax preparer) files or prepares the wage subsidy application on behalf of the employer, they could be subject to a third-party penalty under the Act, if they know, or would reasonably be expected to know, that the application contains false statements, including a no mission of information. Third-party penalties are explained in detail in the CRA's Information Circular IC01-1, Third-Party Civil Penalties.

While, as noted above, we have not yet commenced post-payment audits, we have on a small number of files detected issues with eligibility from a revenue test perspective at the pre-payment stage. These include misrepresentations of revenue situation (e.g. CEWS application indicates \$5 million per month of revenue, while GST return indicates \$10 million of sales for the same month) as well as situations where the revenue decline and the employer account number are mismatched but proposed legislation would accommodate the situation.

FRAUD

Criminal sanctions may be pursued in scenarios where individuals or businesses have been found to have wilfully claimed COVID-19 benefits that they were knowingly not entitled to. Although the CEWS contains criminal enforcement provisions that allows the Criminal Investigations Program (CIP) to investigate, the CERB does not. For this reason, CERB related fraud can only be investigated by the police who may lay Criminal Code charges.

In regards to CEWS claims, the CRA's CIP is able to pursue an investigation where it has grounds to believe that an offence has been committed. Criminal sanctions may be pursued in the CEWS context where fraudsters divert the payments made to an eligible beneficiary towards a different bank account in order to misappropriate the funds, or when there has been a clear false statement of revenue in the CEWS claim. An example of the latter would be when a still-profitable business knowingly misrepresents its revenue as low with a view to fraudulently obtaining the CEWS.

The CERB is expected to be targeted for abuse in the form of benefit claims made by ineligible claimants, and, in some cases, larger more sophisticated schemes. Some of these larger schemes usually entail identity theft where taxpayers' information is stolen, and then used without the victims' knowledge.

It is important to note that criminal sanctions or sentences are within the purview of a criminal court and not for CRA to determine. The CRA can refer cases for criminal prosecution, but sanctions are imposed by the Court only after a finding of guilt.

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