REPORT OF:

COVID-19 Business Recovery and Relief Grants

IAAS | INTERNAL AUDIT & ADVISORY SERVICES

BRITISH COLUMBIA | Ministry of Finance

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Executive Summary and Overall Conclusion

The emergence of COVID-19 in British Columbia (BC) early 2020 required the B.C. Government (Government) to immediately respond to businesses' needs from an economic perspective. The Ministry of Jobs, Economic Development, and Innovation (the Ministry) created two grant programs (the programs) under stressful and shortened timelines to support BC businesses through the COVID-19 pandemic:

- The Small and Medium Sized Business Recovery Grant (SMSBRG) provided one-time grants of $10,000 to $30,000 to small and medium sized BC businesses whose operations were negatively impacted by the pandemic. Additional grants of $5,000 to $15,000 were available to tourism businesses. The Ministry approved $437 million of grant payments to applicants between October 2020 and July 2021.

- The Circuit Breaker Business Relief Grant (CBBRG) provided one-time grants of $2,000 to $20,000 to BC businesses in the hospitality, fitness and accommodation sectors that were fully or partially closed in response to early 2021 health and travel restrictions. The Ministry approved $89 million of grant payments to applicants between April and June 2021.

We conducted this audit to assess the delivery of the programs. We reviewed the design of their controls and reperformed the adjudication process on a sample of applications to determine whether the Ministry executed its controls according to its procedures.

Based on the recommendations from our preliminary audit fieldwork, the Ministry completed the following actions to demonstrate its commitment to sound financial administration and accountability:

- Created and implemented a recovery policy detailing the situations where it would and would not recover grant funding paid to the programs' applicants.

- Hired an external service provider to perform additional audit work over the programs' applicant population to determine eligibility to the program and appropriate use of grant funding.

This report consolidates the findings and observations from both our and the external service provider's audit work.

Audit Observations

The Ministry developed and implemented these two programs in challenging times, with limited resources, and while there was an urgent need to provide funds to businesses as quickly as possible. Additionally, the Ministry was required to develop and build new systems to support the programs, such as an online application portal and adjudication system.
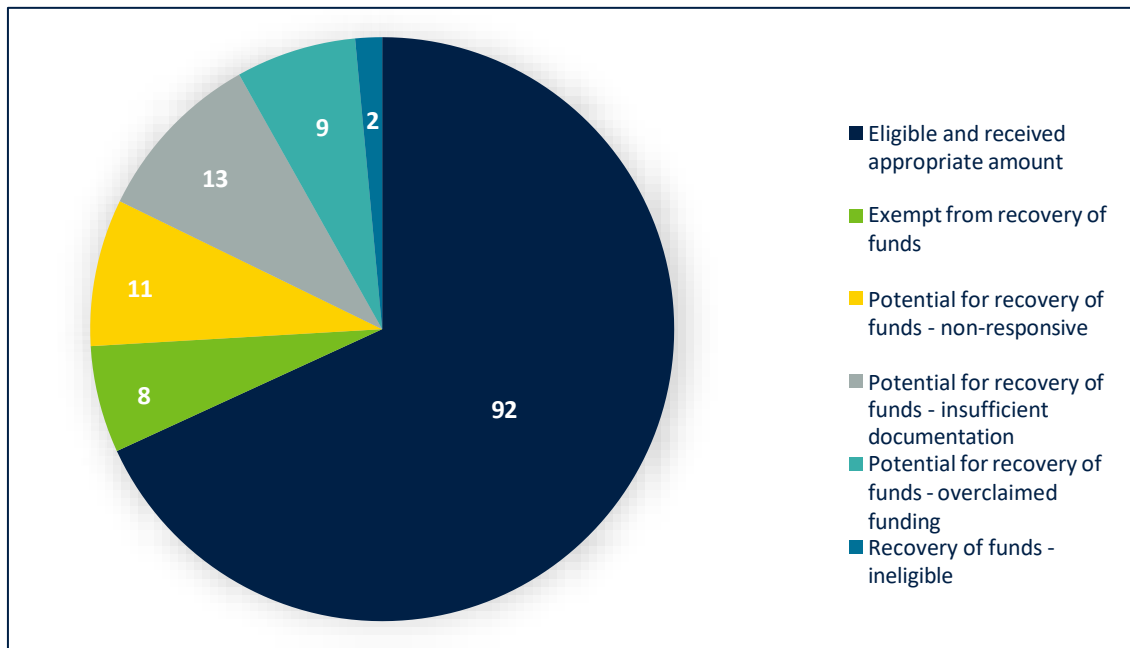
Overall, we found that the Ministry implemented controls in the programs to help reduce the risk of paying grant funding to ineligible or fraudulent applicants, or for the incorrect amount. We also found that Ministry staff generally performed these controls consistently on the sampled applications. However, we identified three key observations in this audit that highlight the risks and challenges of designing and implementing grant programs in an expedited manner:

Program Design and Control Gaps: We found gaps in the programs' design and control environment, such as limited definitions of eligibility criteria, that increase the risk of grant funding being paid to fraudulent or ineligible applicants.

Post-Payment Monitoring: Limited post-payment monitoring activities were built into the program design, communicated to applicants, and carried out prior to our audit work. This increases the risk that grant funding paid in error, to fraudulent or ineligible applicants, or used for ineligible purposes are not identified and recovered. Additionally, it extends the time taken to conduct an audit, as applicants did not have the requested documents readily available and subsequently had to search their records or other sources to obtain these documents.

Applicant Self-Attestation: The CBBRG program heavily relied on applicants' self-attestation that they were eligible for the grant program and the amount of grant funding they were eligible for with limited verification activities performed by the Ministry. This increases the risk that grant funding is paid to fraudulent or ineligible applicants, and applicants over-claim the grant funding they are eligible for. Our and the external service provider's consolidated audit testing of 135 CBBRG applications evidenced this risk. It was not possible to complete the audit procedures and confirm total compliance for 32% of applications tested. The audit approach and results were consistent in both our and the external service provider's audit testing. This represents $390,000 out of $1,544,000 grant funding tested is potentially available for recovery. Our full results are summarized below:

Summary of CBBRG Audit Testing

Pie chart legend:
- Eligible and received appropriate amount — 92
- Exempt from recovery of funds — 8
- Potential for recovery of funds - non-responsive — 11
- Potential for recovery of funds - insufficient documentation — 13
- Potential for recovery of funds - overclaimed funding — 9
- Recovery of funds - ineligible — 2

Source: IAAS

The key risks identified in this audit are consistent with those highlighted from other audit entities, such as the Office of the Auditor General of Canada, on COVID-19 related grant programs[1]. These have flagged that other COVID-19 grant programs had limited controls to verify applicants' eligibility and prevent applicants over-claiming grant funding.

We appreciate that, during times of emergency, there is a need to ensure grant funding is accessible to a wide range of businesses and delivered promptly. However, ministries should ensure that grant programs have sufficient controls and processes in place to only provide grant funding to eligible applicants and for the appropriate amount to safeguard taxpayer monies. In instances where the risk profile of a grant program is high, such as heavily relying on applicant self-attestation to determine eligibility, it is crucial that post-payment audits are undertaken promptly to identify payments to ineligible or fraudulent applicants and recover these funds.

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[1] Report 1– COVID-19 Pandemic: Specific COVID-19 Benefits

Recommendations

As the programs were designed and implemented to address an emergency situation, our [recommendations](#) are mostly addressed towards areas that all ministries should consider for future grant programs. These focus on designing and implementing robust controls and processes to address the risks identified in this audit.

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We would like to thank all Ministry staff who participated in and contributed to this review, for their cooperation and assistance.

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Internal Audit & Advisory Services
Ministry of Finance

Introduction

In March 2020, the Government of British Columbia (Government) declared a state of emergency in response to the growing threat of the COVID-19 pandemic. This was followed by a series of measures and restrictions to slow the transmission rates, including temporarily closing businesses and establishing workplace guidelines.

To compensate for these measures and restrictions, the Government implemented various funding programs to support impacted businesses in British Columbia. The Ministry of Jobs, Economic Development, and Innovation (the Ministry) created two programs (the programs) to support businesses through the COVID-19 pandemic:
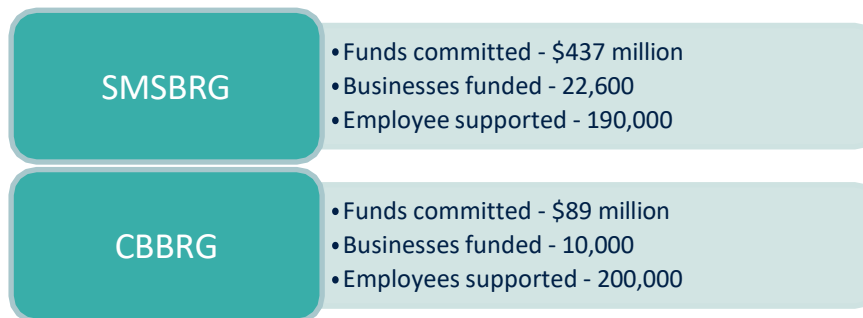
- The Small and Medium Sized Business Recovery Grant (SMSBRG) program was to assist small and medium sized BC businesses directly affected by COVID-19; and

- The Circuit Breaker Business Relief Grant (CBBRG) was a relief program for BC businesses in the hospitality, fitness and accommodation sectors that were fully or partially closed in response to the March 2021's Provincial Health Officer (PHO) order and April 2021's *Emergency Program Act* (EPA) order on travel.

Relief Grants help businesses remain operational during times of significant stress or uncertainty by providing immediate financial support.

Provincial Health Officer (PHO) order are directives issued under the *Public Health Act* to prevent or reduce the risk of hazards that may impact the public.

Figure 1 provides a summary of the programs, including the approximate amount of funding approved to be paid and number of grant recipients as of December 2021[2].

Figure 1 – Summary of the Grant Programs

SMSBRG
- Funds committed - $437 million
- Businesses funded - 22,600
- Employee supported - 190,000

CBBRG
- Funds committed - $89 million
- Businesses funded - 10,000
- Employees supported - 200,000

Source: IAAS, adapted from Grant Programs documentation

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[2] When all applications to the programs had been processed, including any appeals or requests for further information.

Given the urgency to create these programs and provide impacted BC businesses with financial support, there was a risk of gaps in the design and implementation of these programs' controls, particularly related to the delivery and payment monitoring processes. Reviewing these programs can help the Ministry understand their effectiveness and assist in designing future similar programs.

About the Audit

Audit Purpose

The Ministry requested Internal Audit & Advisory Services (IAAS) to audit the programs with the purpose of:

- Assessing the effectiveness of the programs' controls and determining whether the Ministry should take any follow-up actions; and

- Providing advice on the design and execution of future emergency grant programs.

The objectives were to:

- Review the design of controls developed by the Ministry to deliver the programs by reviewing process documentation and conducting interviews;

- Determine whether the Ministry executed its controls according to its procedures by reperforming the adjudication of a sample of the programs' applications; and

- Confirm the validity and accuracy of a sample of applications as our initial assessment identified potential weaknesses in the programs' control environments.

Audit Approach and Scope

Our audit approach involved:

- Interviewing key Ministry staff and stakeholders;

- Reviewing documentation;

- Selecting a sample of applications from both programs to confirm the accuracy and validity of the Ministry's eligibility decision and consistent application of program controls; and

- Performing analyses over the total applicant population on the programs to identify significant risks or trends.

We performed our work with consideration to the COVID-19 pandemic context and the urgency for the Ministry to deliver financial support to BC businesses in distress.

To deliver financial support payments to BC business applicants, the Ministry relied on the Ministry of Finance's processes and systems. These processes and systems were out of scope of our audit.

Based on the initial results from our audit work, we recommended that the Ministry conduct further audit work to enable us to provide a complete evaluation of the programs. The Ministry engaged with an external service provider and their fieldwork was completed in April 2023. This report consolidates our and the external service provider's audit observations and findings.

While this audit focused on the Ministry's programs, the recommendations within the report have relevance across Government. We therefore encourage other ministries to consider these recommendations when developing similar grant programs.

1.0 Program Overview

1.1 Small and Medium Sized Business Recovery Grant

The Government announced the SMSBRG program in September 2020. It provided one-time grants of $10,000 to $30,000 to small and medium sized BC businesses whose operations were negatively impacted by the economic effects of the COVID-19 pandemic.

The base grant amount was determined by the applicant's pre-COVID annual revenue. To be eligible for the base grant, businesses had to meet all the program eligibility criteria, such as:

> **Pre-COVID** was defined by the Ministry as a period prior to February 1, 2020.

- Being a for-profit business registered and operating in BC and majority owned by BC residents;

- Employing up to 149 people in BC for at least four months of the year; and

- Experiencing at least 30% revenue loss from March 2020.

Tourism-related businesses were eligible for an additional $5,000 to $15,000 amount. The top-up grant amount was based on the applicant's pre-COVID number of BC residents actively employed or contracted. To qualify for the top-up, businesses had to be eligible for the base grant and then declare that a significant portion of their business' total goods or services were purchased by visitors to BC.

The SMSBRG program began accepting applications in early October 2020 and closed in July 2021 once the allocated funding had been fully committed.

1.2 Circuit Breaker Business Relief Grant

The Government announced the CBBRG program in April 2021 to help affected BC businesses with expenses like rent, insurance, employee wages, maintenance, and utilities. It provided one-time grants of $2,000 to $20,000 to eligible BC businesses impacted by the PHO and EPA orders.

The grant amount was based on the applicant's self-declared number of BC Employees or contracted staff either pre-COVID or as of March 29, 2021. To be eligible for the grant program, BC businesses had to meet all the program eligibility criteria, such as:

> The Ministry defined a **BC Employee** as any active employee employed or contracted and recorded in the business' employee list and cheque runs.

- Registered in BC as of February 1, 2021, operating in BC and majority owned by BC residents;

- In the hospitality, fitness, or accommodation sector; and

- Impacted by the PHO and EPA orders.

The program began accepting applications from April 2021 and closed in June 2021.
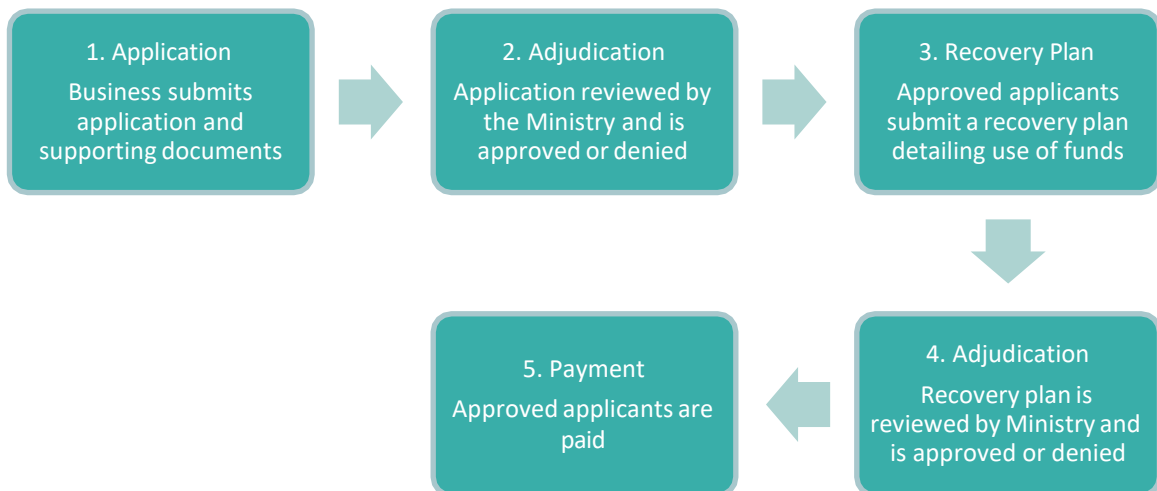
2.0 Program Processes and Controls

2.1 Program Processes

SMSBRG

The Ministry administered the SMSBRG program like a regular grant program as the timeline was reasonable for applicants to apply and the Ministry to process the applications. The Ministry's SMSBRG application process is summarized in **Figure 2:**

Figure 2 – SMSBRG Application Process
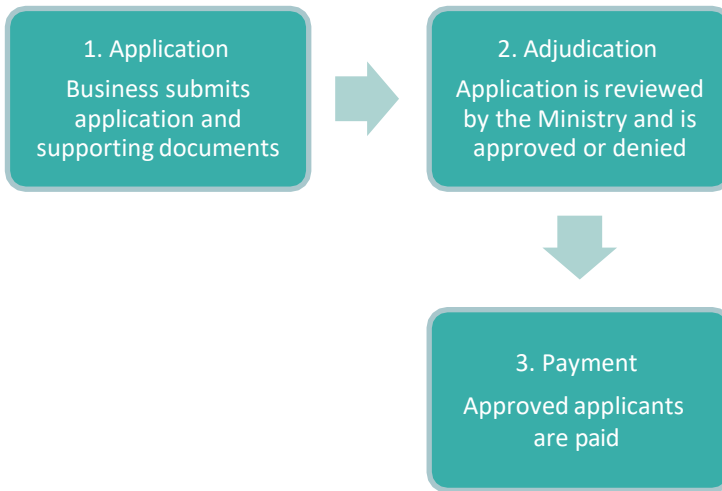

Source: IAAS

CBBRG

The CBBRG program was designed and implemented in a shorter timeframe compared to the SMSBRG program, as it was an emergency relief program. **Figure 3** illustrates the CBBRG application process.

Figure 3 – CBBRG Application Process

```
┌─────────────────────┐       ┌─────────────────────┐
│   1. Application     │       │   2. Adjudication    │
│                      │  ──▶  │                      │
│  Business submits    │       │ Application is       │
│  application and     │       │ reviewed by the      │
│  supporting          │       │ Ministry and is      │
│  documents           │       │ approved or denied   │
└─────────────────────┘       └─────────────────────┘
                                         │
                                         ▼
                              ┌─────────────────────┐
                              │    3. Payment        │
                              │                      │
                              │  Approved applicants │
                              │  are paid            │
                              └─────────────────────┘
```

Source: IAAS

Due to the immediate significant impact the PHO and EPA orders had on the target businesses the Ministry decided that the CBBRG program would not strictly prescribe how applicants could spend grant funding. Therefore, the Ministry did not require applicants to submit a plan of their proposed spending and instead provided them with a list of broad categories of eligible and ineligible expenses.

Eligible expenses included:
- Rent
- Insurance
- Employee wages

Ineligible expenses included:
- Personal expenses
- Repayments of business debt
- Payments to the business owner or their family

2.2   Program Controls and Compliance Testing

To effectively execute grant programs and deliver funding, robust controls should be designed and implemented. These should approve applications for grant funding before disbursing funds to applicants. Pre-payment controls reduce the risk of approving fraudulent or ineligible applications, as well as errors in calculating the grant amounts and payments. Such controls may include:

Controls are processes put into place by management to help an organization operate efficiently and effectively to achieve its objectives. Examples include dividing work duties among different people and supervisory review.

- Validating the information that applicants provide to support their funding claims with supporting documentation, and following up when necessary;

- Confirming the adjudication decision by performing a second internal review of applications; and

- Conducting post-payment monitoring activities to confirm that grant funding was only paid to eligible businesses and used appropriately.

We assessed the Ministry's controls in place to help them determine applicants' eligibility to the programs, whether those controls were performed consistently by staff, and that grant funding was used for eligible expenses. To support this assessment, the following compliance testing was conducted by IAAS and the external service provider. As the CBBRG program had fewer controls and placed a heavier reliance on applicants self-attesting their eligibility compared to the SMSBRG program, a greater number of applications were tested in this program.

SMSBRG:

- Test 1: Controls were implemented as designed and consistently applied – 40 applications;

- Test 2: Eligibility decision and grant funding paid were accurate and supported by evidence – 40 applications; and

- Test 3: Grant funding was used on eligible expenses – 96 applications.

CBBRG:

- Test 1: Controls were implemented as designed and consistently applied – 45 applications; and

- Test 2: Eligibility decision and grant funding paid were accurate and could be supported by evidence – 135 approved applications.

SMSBRG Results

Test 1 – Controls were implemented as designed and consistently applied

Overall, the Ministry implemented controls to reduce the risk of paying grant funding to ineligible or fraudulent applicants, or for the incorrect amount. We also found that generally Ministry staff consistently performed these controls. Some of the controls implemented by the Ministry included:

- Automated controls in the application web portal requiring applicants to provide supporting documentation and preventing applicants from submitting incomplete applications or editing applications already submitted.

- **Segregation of duties** via two levels of reviews of applicants' information and documentation by Ministry staff to determine applicants' eligibility to the program.

> **Segregation of duties** is an internal control which ensures that at least two individuals are responsible for the separate parts in any task.
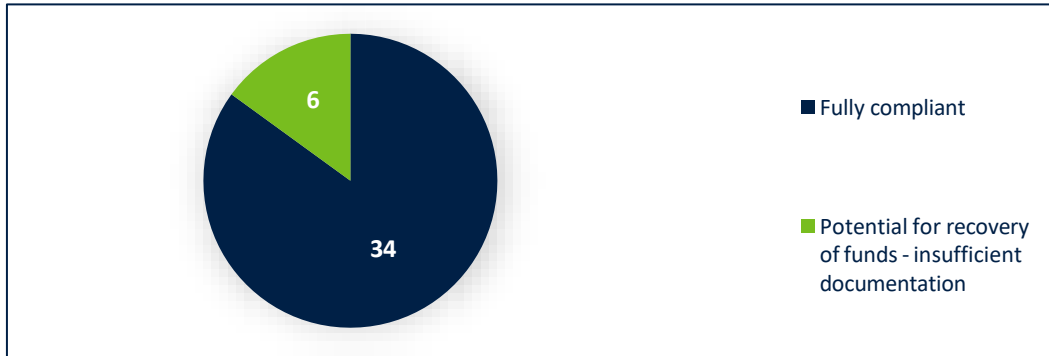
GOOD PRACTICE

- The Ministry worked with the Corporate Compliance and Controls Monitoring branch within the Office of the Comptroller General to use data analytics to detect potential instances of fraud and errors in applications, such as duplicate or ineligible payments.

- These tests were conducted on a regular basis (i.e., pre and post-payment) and no instances of systemic fraud were identified.

We identified 3 out of 40 sampled applications (7%) with minor issues relating to document verification, applicant eligibility, and segregation of duties. However, these were isolated incidents and the Ministry had compensating controls in place to mitigate their impact.

Test 2 – Eligibility decision and grant funding paid were accurate and supported by evidence

Overall, we found that the eligibility decision and grant funding paid to approved applicants were generally accurate and supported by evidence. Our results are summarized in **Figure 4** including the identified issues.

Figure 4 – Summary of SMSBRG Test 2 Results

Legend:
- **Fully compliant**
- **Potential for recovery of funds - insufficient documentation**

(Pie chart values: 34 Fully compliant, 6 Potential for recovery of funds - insufficient documentation)

Source: IAAS

Potential for recovery of funds

6 out of 40 sampled applications (15%), representing $150,000 of grant funding, had insufficient documents to enable us to verify they met all program eligibility criteria. Examples of missing documentation included confirmation of majority ownership by BC residents and a full-time employee count of 149 or less. Complete documentation that fully supports all eligibility criteria reduces the risk of assessment errors and helps ministry staff effectively verify, monitor, and audit applications.

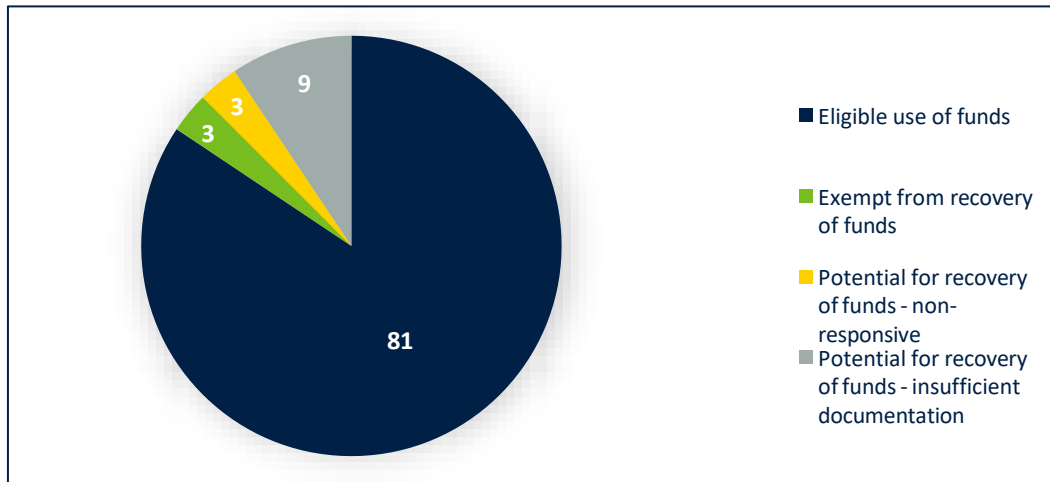*Test 3 – Grant funding was used on eligible expenses*

The Ministry required approved applicants to provide a recovery plan outlining how grant funding would be spent on eligible expenses before funding was paid.

Overall, applicants used grant funding on eligible expenses which were supported by evidence. The results are summarized in **Figure 5,** including the identified issues.

> **Eligible expenses** were defined as actions to enable the applicant to implement measures to continue their operations under the "new normal" conditions of the COVID-19 pandemic. Examples of eligible expenses included:
> - Providing new services to existing customers
> - Modifying the physical business location
> - Supporting the business to move online

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Figure 5 – Summary of SMSBRG Test 3 Results

Legend:
- Eligible use of funds
- Exempt from recovery of funds
- Potential for recovery of funds - non-responsive
- Potential for recovery of funds - insufficient documentation

Pie chart values: 81, 3, 3, 9

Source: IAAS

Exempt from recovery of funds

3 out of 96 sampled applications (3%), representing $60,000 of grant funding, were identified as having gone bankrupt, dissolved, or undergone a change in ownership. In accordance with the Ministry's recovery policy, businesses in these situations would be exempt from recovery of grant funding.

Potential for recovery of funds – non-responsive

3 out of 96 sampled applications (3%), representing $40,000 of grant funding, did not respond to the Ministry's audit request, despite multiple attempts. When applicants applied to the grant program, they agreed to respond to and address the Ministry's audit queries in the event they were audited.

Potential for recovery of funds – insufficient documentation

9 out of 96 sampled applications (9%) provided insufficient documentation to evidence $121,219 of grant funding was spent on eligible expenses. This increases the risk that grant funding was used on ineligible expenses.

Additionally, we noted that the Ministry did not communicate through its publicly available information on the grant program what would be considered ineligible expenses. The Ministry's approach was to allow applicants to have the flexibility to use the grant funding to best suit the unique needs of their business. Furthermore, additional eligible expenses were approved during the application intake stage to help a wider audience of businesses apply for and receive grant funding.

Therefore, applicants were only advised of ineligible expenses if they were identified during ministry staff's review of their recovery plan. Providing applicants with clarity on ineligible expenses during the application process can reduce the risk of misuse of grant funding and the need to recover these funds.

Recommendations:

(1) Ministries should develop and publicly communicate a detailed list of the inappropriate uses of grant funding, including any changes to this list, to facilitate effective monitoring of grant recipients' spending and recovery of misused grant funding.

CBBRG Results

Test 1 – Controls were implemented as designed and consistently applied

The CBBRG adjudication process had fewer internal controls and placed a heavier reliance on applicants self-attesting their eligibility compared to the SMSBRG program. The Ministry required a supporting document to verify applicants' identity and eligibility, and direct deposit information to verify their payment details. Applicants were not required to provide supporting documents to evidence they met all eligibility criteria. Applicants were required to provide only one supporting document that showed they met at least one of the eligibility criteria, and the Ministry relied on applicants' self-attestation that they met the remaining criteria without requesting complete supporting documents.

Given the urgency of the CBBRG program, and the complex operating environment during that time, the Government considered that the risk of businesses not receiving timely financial support outweighed the risk of accepting ineligible or fraudulent applications.

Based on our sample of 45 applications, the Ministry mostly executed its limited internal controls according to its procedures, such as review of applications before funding was released to applicants. Additionally, its data analytics tests did not identify any systemic instances of fraud on the program.

We identified 3 out of 45 sampled applications (7%) with minor issues relating to document verification and segregation of duties. However, these were isolated incidents and the Ministry had compensating controls in place to minimize their impact.

Test 2 – Eligibility decision and grant funding paid were accurate and supported by evidence

Overall, we found that the eligibility decision and grant funding paid to approved applicants were mostly accurate and supported by evidence. However, our results, show an overall compliance rate of 68%. This represents that $390,000 out of $1,544,000 grant funding tested is potentially available for recovery. Our results show that the Ministry took on more risk than it initially expected. This highlights the possibility that grant funding is provided to ineligible or fraudulent applicants when heavily relying on applicant self-attestation on their eligibility to a grant program and the amount of funding they are eligible to receive.

Figure 6 – Breakdown of CBBRG Test 2 Results
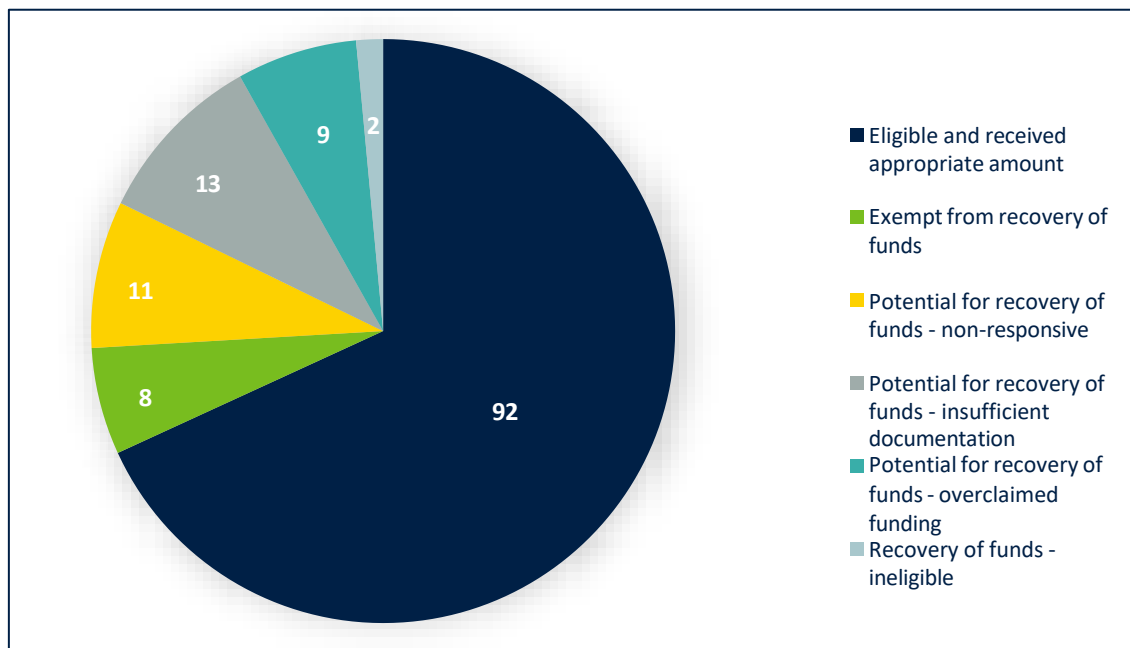
Source: IAAS

Exempt from recovery of funds

8 out of 135 sampled applications (6%), representing $72,000 of grant funding, were identified as having gone bankrupt, dissolved, or undergone a change in ownership. In accordance with the Ministry's recovery policy, businesses in these situations would be exempt from recovery of grant funding.

Potential for recovery of funds – non-responsive

11 out of 135 sampled applications (8%), representing $110,000 of grant funding, did not respond to the Ministry's audit request, despite multiple attempts. Similar to the SMSBRG program, applicants agreed that they would respond to the Ministry's audit request and provide any requested documentation in the event they were audited.

Potential for recovery of funds – insufficient documentation

13 out of 135 sampled applications (10%), representing $150,000 of grant funding, did not provide complete information to enable us to conclusively determine whether they were eligible for the program and that they claimed the appropriate amount of grant funding. This included applicants that could not provide the requested information in the set timeframe.

Some of the audited applicants provided feedback that it would have been beneficial if they had received more guidance at the start of the program on the documents they needed to retain to support their application in the event of an audit.

Potential for recovery of funds – overclaimed funding

The amount of grant funding awarded was solely based on the applicant's self-attested BC Employee count, with a higher amount of grant funding provided to applicants with a higher employee count. **9 out of 135** sampled applications (7%) could not support the BC Employee count stated in their application with evidence, such as payroll records. This represented $73,000 of grant funding overclaimed by the sampled applicants.

This illustrates the risk of applicants over-stating their BC Employee count to receive additional grant funding when not required to provide supporting evidence during the application intake process. Requiring applicants to provide supporting documents to evidence their eligibility to the amount of grant funding claimed can reduce this risk.

Recovery of funds – ineligible

2 out of 135 sampled applicants (1%), representing $24,000 of grant funding, were ineligible for the grant program as they did not meet all eligibility criteria. This highlights the risk of relying on applicants self-determining their eligibility status and requesting minimal documents to support their assessment.

In accordance with its recovery policy, the Ministry has taken related steps to recover the grant funding from the SMSBRG and CBBRG applicants that met its recovery of funds criteria. This has included sending letters to relevant applicants detailing the reason why they are required to repay the grant funding, the total amount repayable, and how the applicant can do this. The Ministry has also made arrangements with the Ministry of Finance to assist them with collection activities.

A shared observation from our and the external service provider's compliance testing was that certain CBBRG program eligibility criteria were challenging to verify due to limited available supporting information or limited clarity on the criteria:

- **Impacted by and complied with the PHO orders:** Ministry staff relied on the six BC Regional Health Authorities publishing lists of businesses in their areas that did not comply with the PHO orders. However, only two of the six Regional Health Authorities published these lists. Ministry staff undertook some efforts to determine whether applicants complied with the PHO orders, such as conducting an internet search of the business. However, the Ministry advised that extensive internet searches could slow down the adjudication process and delay applicants receiving funding.

- **BC Employee count:** The Ministry did not define a specific time period for applicants' pre-COVID BC Employee count. This resulted in applicants using different time periods in their grant applications. As certain applicants were seasonal businesses that had significant changes in their BC employee count at different points in the year, this accounted for why certain businesses used different time periods. However, this made it challenging to verify applicants' BC employee count on a consistent basis. Additionally, there was limited guidance on the definition of a BC Employee, including key information such as whether the individuals had to be employed for a minimum amount of time.

We appreciate that, during times of emergency, there is a need to ensure grant funding is accessible to a wide range of businesses and delivered promptly. This may mean that grant programs have broad eligibility criteria that may be challenging to verify. However, ministries should take reasonable steps to ensure that eligibility criteria are sufficiently defined and can be supported by readily available documents to enable their staff to assess applications effectively and accurately. This can help ministries provide grant funding to only eligible applicants.

Recommendations:

(2)   Ministries should provide grant program applicants with guidance on the audit process and supporting documents that must be provided. This can assist applicants proactively collect and retain relevant documents.

(3)   Ministries should design controls and procedures that mitigate and monitor the risk of fraudulent and ineligible applicants, such as requiring evidence to support the amount of grant funding applicants claim.

(4)   The Ministry must follow its recovery policy and take reasonable steps to recover grant funding paid to applicants that meet the definition of recovery of funds.

(5)   Ministries should establish eligibility criteria that are suitably defined and can be verified with supporting documentation to enable staff to effectively review and assess applications.

2.3   Post-Payment Controls

Payment Reconciliation

The Ministry conducted some post-payment monitoring activities on the programs. The Ministry performed reconciliations between the Government's payment system's records and the amount applicants were eligible and approved for. This was to detect and resolve instances of incorrect payments.

> **Reconciliations** are an internal control which compares two or more sets of reports or data to ensure the figures are correct and match.

We found that this process was consistently performed by ministry staff. However, the Ministry had a heavily manual reconciliation process, which required significant staff resources to complete. The Ministry acknowledged that this was an area of improvement and implemented a more automated reconciliation process in its future grant programs.

Post-Payment Audit

The programs had an audit clause stating that by applying to the grant program, applicants agreed to respond to and address the Ministry's audit queries in the event they were audited. However, details on the audit process, information required for an audit, and how applicants were expected to respond to an audit request were not communicated during the application process or after the applicant received grant funding.

As evidenced in our compliance testing, this increases the risk of non-responsive applicants and applicants being unable to provide the requested information in a timely manner. Additionally, it extends the amount of time taken to conduct the audit as applicants search for the requested information. Communicating the expectations and required information for an audit during the application process can assist applicants retain relevant information and respond to audit requests in a timely manner.

Lessons Learned

Evaluating any project or program after it has closed helps identify successes and areas of improvement. Learning from past experiences is critical to improve the effectiveness and efficiency of future initiatives.

We found that the Ministry conducted a lessons learned exercise for the programs. Ministry staff discussed the programs' successes and challenges and documented the areas of the programs that could be improved for future initiatives. Some of these learnings were implemented in future grant programs developed and released by the Ministry, such as the **Covid-19 Closure Relief Grant**, and shared with other ministries. Additionally, the Ministry engaged with an external service provider to conduct an evaluation of the programs through obtaining feedback from grant recipients.

> **Covid-19 Closure Relief Grant** was a further grant program implemented by the Ministry to provide grants to businesses that had to close due to the December 22, 2021 PHO orders.

Appendix A – Summary of Recommendations

1	Ministries should develop and publicly communicate a detailed list of the inappropriate uses of grant funding, including any changes to this list, to facilitate effective monitoring of grant recipients' spending and recovery of misused grant funding.
2	Ministries should provide grant program applicants with guidance on the audit process and supporting documents that must be provided. This can assist applicants proactively collect and retain relevant documents.
3	Ministries should design controls and procedures that mitigate and monitor the risk of fraudulent and ineligible applicants, such as requiring evidence to support the amount of grant funding applicants claim.
4	The Ministry must follow its recovery policy and take reasonable steps to recover grant funding paid to applicants that meet the definition of recovery of funds.
5	Ministries should establish eligibility criteria that are suitably defined and can be verified with supporting documentation to enable staff to effectively review and assess applications.

Appendix B – Abbreviations

BC	British Columbia
CBBRG	Circuit Breaker Business Relief Grant
CCRG	COVID-19 Closure Relief Grant
EPA	Emergency Program Act
Government or Province	Government of British Columbia
IAAS	Internal Audit & Advisory Services
Ministry	Ministry of Jobs, Economic Development and Innovation
OAG	Office of the Auditor General
PHO	Provincial Health Officer
Programs	SMSBRG and CBBRG collectively
SMSBRG	Small and Medium Sized Business Recovery Grant