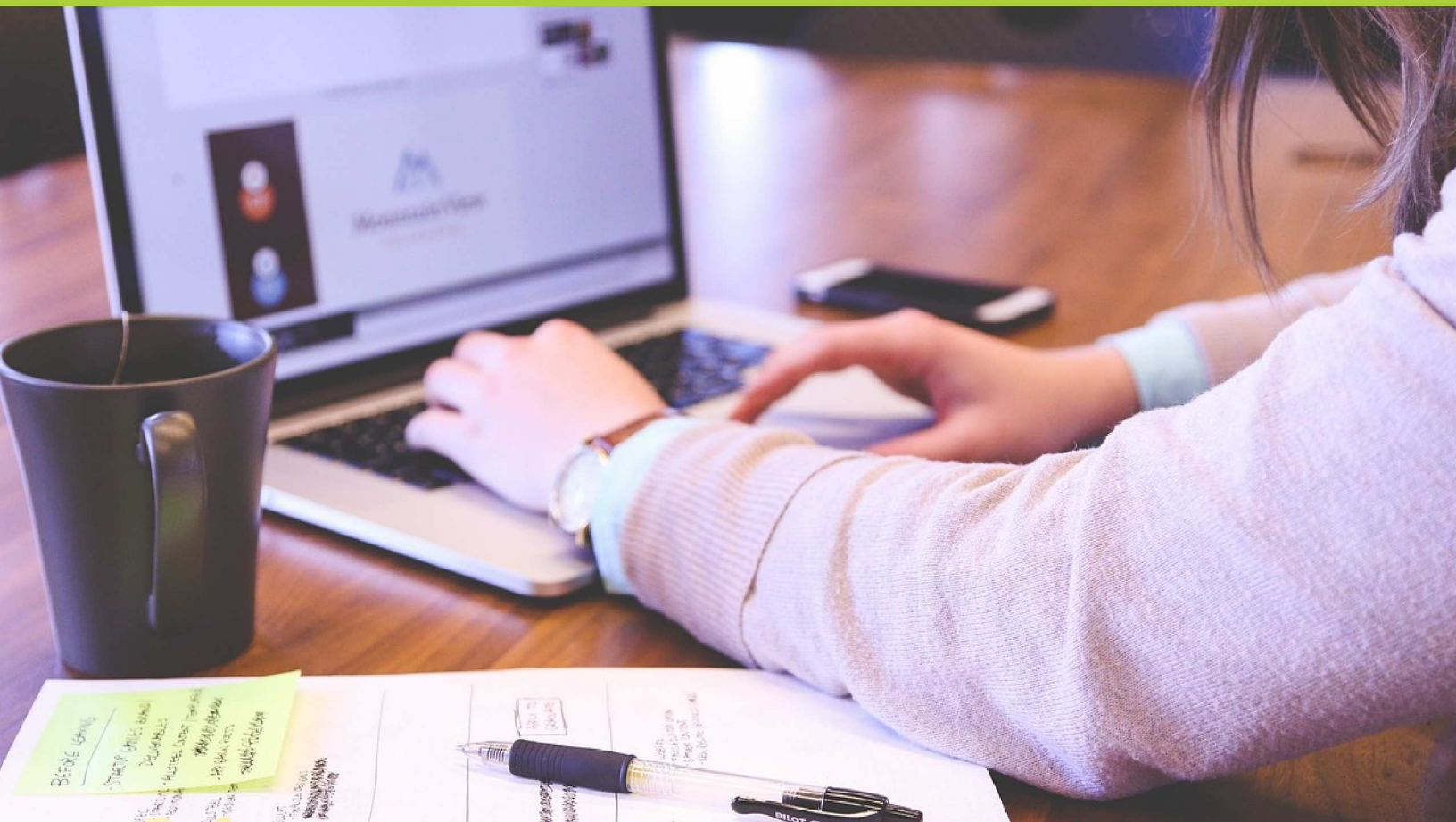


Innovation and Business Investment Corporation

Independent Auditor's Report



June 2023

OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR



Objectives

To determine whether the Innovation and Business Investment Corporation's grant programs and Business Investment Fund were effectively managed; and whether the COVID-19 support programs, Small Business Assistance Program, and the Tourism and Hospitality Support Program, which were administered by the Corporation, had effective management and oversight.



Audit Period: June 1, 2018 to December 31, 2021.



Why this Audit is Important

The public trusts that government departments, agencies, and Crown Corporations are diligent stewards of public funds. The public assumes that there are policies, procedures, and guidelines in place that are practiced consistently and systematically in order to ensure programs operate effectively and efficiently. When government entities, such as the Innovation and Business Investment Corporation, do not manage their financial responsibilities with judicious oversight, public funds are placed at risk, creating the potential for the loss of funds and an overall lack of program oversight and control.



Conclusions

The Innovation and Business Investment Corporation did not effectively manage all aspects of its grant, loans, and investment programs, increasing the risk that ineligible businesses were supported or that funds were used for inappropriate purposes. Grant programs were not effectively managed; applicants' eligibility was not always confirmed; required clearance checks were not always completed; and cross-departmental coordination was lacking. While the Corporation did manage the loans and investments assessment processes well, it did not manage the execution and issuance of its loans and investments program effectively. Required documentation to ensure applicants were not in arrears with government was not always obtained, nor were financial checks; the financial health of the Corporation's loan portfolio was also not sufficiently managed. COVID-19 programs were not effectively managed or overseen, and as a result, there were overpayments to some businesses and financial support given to ineligible businesses. There were also inconsistencies between the Corporation's external and internal guidelines, which resulted in inconsistency across applicant funding decisions and a lack of clarity.



Recommendations

1. The Innovation and Business Investment Corporation should ensure that all policies and procedures are appropriate, regularly reviewed and updated, with updates approved and enacted in a timely manner.
2. The Corporation should ensure that all policies, procedures and contract terms for grants are followed and fully documented, including application assessments, approvals, payments and exceptions.
3. The Corporation should ensure that all policies and procedures for loans and investments are followed and fully documented, including monitoring, collections, debtor management and restrictions based on bad debt.
4. The Corporation should ensure that concerns raised by staff working directly with applicant information, and the resolutions of such, are dealt with and fully documented as part of basic due diligence.
5. The Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should determine the full extent of ineligible applicants and applicant overfunding that occurred in the Small Business Assistance and Tourism and Hospitality Support programs and pursue collection.
6. Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should ensure that any future grant programs have appropriate policies and procedures designed and implemented which would address the issues identified in our audit.

What We Found

Grant Programs: Policies and procedures for two of the three programs were in draft form and had not been approved by the Board. Business Development Support Program policies and procedures contained inconsistencies between which business sectors were eligible for funding. The Corporation did not fully confirm grant applicants' eligibility in accordance with approved or in-use policies and procedures. For example, 55 per cent of our Business Development Support Program grant sample (11 of 20) did not appear to have had the required cross-departmental financial appropriateness checks completed, which was noted in our 2019 Audit management letter to the Corporation. We also found that in 95 per cent of the same sample instances of grant payments being made without evidence that the required third-party credit check had been completed. In another sample, 100 per cent (60) could not demonstrate evidence of site visits, contrary to contract agreements for all three grant programs. In some areas of our sample, file documentation intended to prove that processes and procedures were appropriately followed was also incomplete.

Loans & Investments: We did not find any concerns regarding the condition of policies and procedures for loans and investments and the Corporation followed appropriate processing and assessment processes for 94 percent (33 of 35) of applications. However, we frequently could not find evidence that some of the required processes for payout happened prior to funds being disbursed. In 89 percent of our sample (31 of 35), there were no required cross-government departmental checks to ensure that applicants were not in arrears or had debts owing to government. We also found 40 per cent (14 of 35) did not have evidence of third-party credit checks or a review of the applicant's credit history, as required by policy. We also did not find evidence that the loans and investment delinquencies had been brought to the attention of the Corporation's Board during our scope period.

Loan & Investment Write-Offs: Corporation policies and procedures did not restrict businesses that had previously received a write-off on a loan from applying for new funds from the Corporation. In 26 per cent (eight of 31) of write-offs, assets could not be pursued because the client could not be contacted or located; with some clients unreachable for up to 22 years. In addition, in four of these cases, court judgments acquired by the previous Business Investment Corporation were allowed to lapse, contributing to the need for a write-off. The Corporation's Board of Directors was also not given adequate monitoring information about the status of delinquent loans, with 84 per cent (26 of 31) of reports, meant to highlight delinquencies, missing information on loans and investments entering write-off status. The Corporation's records also contained more than 100 other delinquent loans totalling \$6.2 million that were a minimum of five years old, with some up to 40 years old, that had not been written off.

COVID-19 Program Management & Oversight: Process controls for accepting and assessing applications were weak and ineffective. There were no reviews or recovery efforts beyond the assessment process or post-payment verification plan made or executed. Small Business Assistance Program internal and external guidelines, meant to restrict funding to small, local businesses, were not always followed. There were also inconsistencies in the language used in both programs' applications and guidelines. There was no formal agreement by the Board to allow these programs to use its processes and accounts to administer the programs, although the Chair of the Board advised that the Board had informally agreed. Department officials provided summary information to the Board; however, it did not provide details such as overpayments or accounting errors. Program updates were infrequent and did not provide details on the status of controls meant to ensure payments were approved and monitored effectively.

After reading this report, you may want to ask the following questions of government:

1. How can government ensure that current and future grant programs are communicated, managed and monitored appropriately?
2. How will government ensure loans and investments are executed and monitored appropriately, to reduce the risk of error or write-offs?
3. Will government review the applications to the COVID-19 grant program to ensure any ineligible or excess payments are detected and recovered?

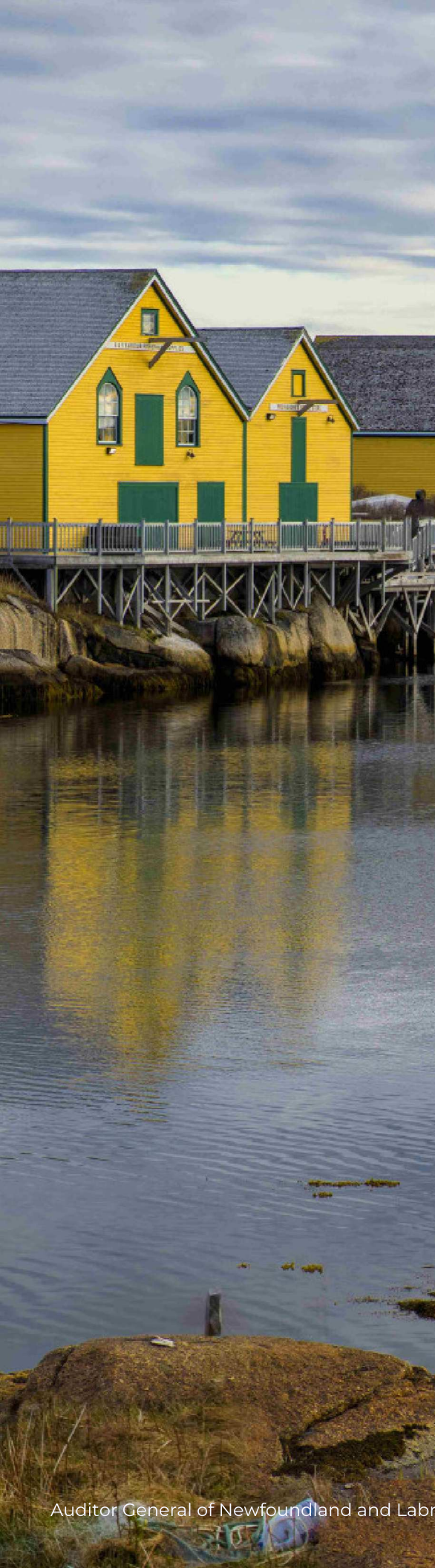


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Background

The Innovation and Business Investment Corporation (the Corporation) was established on May 31, 2018, under the authority of the Innovation and Business Investment Corporation Act by amalgamating the Business Investment Corporation and the Research and Development Corporation. The Corporation operates as a Crown Agency reporting to the Minister of the Department of Industry, Energy and Technology (Industry, Energy and Technology), and is responsible for strategic funding investments in the province's innovation and business sectors in order to advance economic development in accordance with the Government of Newfoundland and Labrador's priorities. The Corporation's mandate is to direct the management of Industry, Energy and Technology's investment portfolio and administer new investments through grants, loans, and investment funding programs. This mandate also includes the Fisheries Loan Guarantee Program in partnership with the Department of Finance.

The Corporation's Board of Directors is made up of nine directors, six of which are independent appointments and three are government officials, specifically the Deputy Minister and two Assistant Deputy Ministers of Industry, Energy and Technology. The Corporation's Board exercises all the powers and duties of the Corporation and is responsible for the governance of its operations; however, most decision-making authority has been delegated to Industry, Energy and Technology based on the size of funding requiring approval. The financial statements of the Corporation are audited annually by the Office of the Auditor General.

Industry, Energy and Technology provides administrative support to the Corporation and delivers programs on its behalf. Department staff receive, evaluate, and have delegated authority to make certain funding decisions under the programs administered by the Corporation, they also review and evaluate funding applications. For grant programs, applications are processed to determine eligibility and if approved, payments may occur in one or several installments based on evidence that eligible costs have been incurred; or as an advanced payment requiring evidence of eligible costs at a later date. For the loan and investment program, applications are processed to determine eligibility and, if approved, are processed for scheduled payments. COVID-19 program funding was processed and approved based on the application and supporting information submitted, with payments made when the approval process was completed.

Innovation and Business Investment Corporation programs included:

- Business Development Support Program – a non-repayable grant program
- Research and Innovation Fund for Non-Commercial Projects – a non-repayable grant program
- Commercial Research and Development Projects – a non-repayable grant program
- Business Investment Fund – loans and investments program

In 2020, the provincial government announced two programs to assist businesses during the COVID-19 pandemic: the Tourism and Hospitality Support Program (announced in May 2020) and the Small Business Assistance Program (announced in October 2020). Responsibility for the Tourism and Hospitality Support Program was assigned to the former Department of Tourism, Culture, Industry and Innovation (now Tourism, Culture, Arts and Recreation), and the Small Business Assistance Program was assigned to Industry, Energy and Technology.

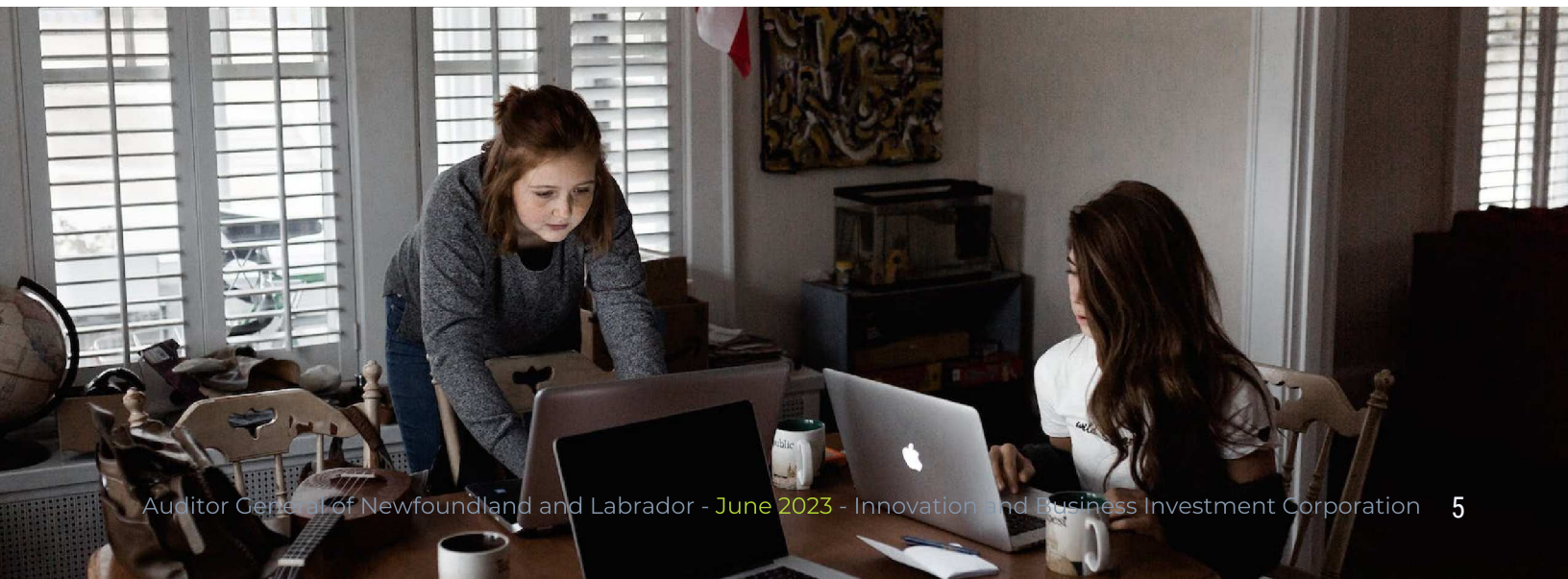
Both departments selected the Innovation and Business Investment Corporation to administer the programs, including the designation of the Corporation's bank account for payments to funding recipients. As a result, the Corporation's Board of Directors became responsible for ensuring they exercised good governance over the programs and that both departments had appropriate oversight and suitable controls in place for the distribution of funds. Additional details on Corporation operations and the COVID-19 programs can be found in Appendices B and C respectively.

Our audit of the Innovation and Business Investment Corporation covers the period of June 1, 2018 to December 31, 2021, and focused on three objectives related to the Corporation's grant programs, loans and investments, as well as the COVID-19 programs. Nine criteria were used for assessment and our audit procedures included samples from all Corporation lines of business.

Summary of Key Findings

Grant Programs

- We found Corporation policies and procedures for two of the three grant programs were in draft form and had not been approved by the Board during our audit scope period.
- Business Development Support Program policies and procedures contained inconsistencies between which business sectors were eligible for funding.
- The Corporation did not fully confirm grant applicants' eligibility in accordance with approved or in-use policies and procedures.
- We found 11 of the 20 Business Development Support Program grants (55 per cent) did not appear to have the required cross-departmental financial appropriateness checks completed.
- The need for cross-departmental checks was identified in our financial statement audits and noted in our 2019 audit management letter to the Corporation.
- In nine of the 20 Business Development Support Program samples (45 per cent), formal consultation on application merit required from other departments or agencies was missing.
- In one instance of the 20 Business Development Support Program samples (five per cent) where file documentation indicated a staff member had raised concerns about an applicant's sincerity and trustworthiness, this concern was not addressed in the final contract.
- Not all required clearance checks had been completed before grant disbursement.
- In all 20 Commercial Research and Development Projects grant samples, we found that there was no evidence applicants were confirmed to be in good standing with the provincial government when the application was assessed, throughout the duration of the agreement, or prior to payments being disbursed.
- In 19 of the 20 Business Development Support Program files (95 per cent), we found instances of grant payments made without evidence that the required third-party credit check had been completed.
- In three of 20 samples (15 per cent), funds had been disbursed without the Corporation having received the appropriate evidence of grant-eligible costs incurred by the recipient. We identified issues with accepting insufficient or inappropriate receipts to support grant payments in prior financial statement audits and noted it in our 2019, 2020 and 2021 audit management letters to the Corporation.
- Contrary to contract agreements, we did not find evidence of site visits in any of the 60 samples (100 per cent) tested across all three grant programs. We identified the importance of site visits to ensure funding was used appropriately in prior financial statement audits and noted it in our 2019 audit management letter to the Corporation.
- The Corporation prepares information on currently approved and active grants for the Board in quarterly reports from the portfolio management division. While these reports provide appropriate detail on the status of active accounts, we found these reports were not prepared and provided to the Board for all quarterly periods during our audit scope.
- We found that in certain areas of our sampling, file documentation intended to prove that processes and procedures were appropriately followed was incomplete.



Summary of Key Findings

Loans & Investments

- We found the Corporation followed appropriate processing and assessment processes for 33 of the 35 applications tested (94 per cent).
- In 31 of the 35 samples (89 per cent), there were no required cross-government departmental checks with the Department of Finance and the Office of the Comptroller General.
- 14 samples (40 per cent) did not have evidence of third-party credit checks or a review of the applicant's credit history, as required by policy.
- Five of 18 loans and investments audited (28 per cent) that were required to have insurance assets registered with the Corporation did not have evidence of insurance policy details in the Corporation's insurance registry, nor did these files have a current copy of insurance coverage on file.
- Nine other samples (of 18, or 50 per cent) had outdated copies of insurance coverage on file, with five having their coverage expired more than two years prior.
- We found that loans and investments were not appropriately monitored according to the Corporation's policies and procedures. In 24 of 35 samples (69 per cent), we found there was no account status report on file, reports that document all activities staff perform in monitoring a recipient's account.
- We did not find evidence that the loan and investment delinquencies in our samples had been brought to the attention of the Corporation's Board during our scope period.
- We found that Corporation policies and procedures did not restrict businesses that had previously received a write-off on a previous loan from applying for new funds from other programs offered by the Corporation.
- 25 of the write-offs approved within our audit scope were for loans or investments that were decades old, it was therefore difficult to assess the sufficient use of collateral.
- In eight of the 31 write-offs (26 per cent), assets could not be pursued because the client could not be contacted or located by the Corporation, with some clients unreachable for up to 22 years. In four of these cases, court judgments acquired by the previous Business Investment Corporation were allowed to lapse, contributing to the need for a write-off.
- The Corporation's Board of Directors was not given adequate monitoring information about the status of delinquent loans, and summary information reports meant to highlight delinquencies were missing information on 26 of the 31 loans and investments (84 per cent) entering write-off status. Twenty-four (92 per cent) of these 26 loans and investments were more than 15 years old and had no repayment activity for over a decade.
- The Corporation's records also contained more than 100 other delinquent loans totalling \$6.2 million that were, at minimum, over five years old - with some up to 40 years old, which had not yet been written off.



Summary of Key Findings

COVID-19 Programs

- Process controls for accepting and assessing applications under each of the COVID-19 programs were weak and ineffective.
- Controls did not operate correctly, as evident from the overpayments found and numerous instances of similar applications assigned to separate assessors.
- The department accepted a significantly higher risk of fraud error because the controls were weak.
- Departments relied on applicants' own proof of eligibility, accepting the risk that some applicants might not be eligible for funding. There were no reviews of applications beyond the initial assessment process and no post-payment verification plan was made or executed.
- Critical eligibility criteria were not verified by departments such as the applicant's number of employees under the Small Business Assistance Program or the revenue loss for the enterprise under the Tourism and Hospitality Support Program.
- Small Business Assistance Program guidelines, meant to restrict funding exclusively to small, local businesses, were not always followed. Two applications had over 100 employees and were each awarded funding.
- We noted six applicants that received \$2,500, even though their total sales losses were, for example, as small as \$77. On average, sales losses year-over-year for the six applicants were \$937, but each received \$2,500.
- There was ambiguity in the business ownership eligibility guidelines used externally versus internally for both COVID-19 programs.
- Guidelines for the Tourism and Hospitality Support Program had adaptations made to the program's criteria internally that were not communicated to the public.
- We found several examples of large hotel chains applying for and receiving funding from the first phase (held June 8, 2020, to March 11, 2021) of the Tourism and Hospitality Support Program, despite initial public guidelines for the first phase stipulating that international hotel corporations were ineligible.
- We found multiple Tourism and Hospitality Support Program grants had been awarded to applicants that had not provided separate revenue and expense streams in accordance with internal guidance. The total funding awarded to these additional applications was \$67,500 in our sample.
- Organizations received more funding than they were eligible for by applying more than once.
- We found seven applicants that received total excess funding of \$40,000 by applying for and obtaining funding from both programs.
- There were four instances (five per cent) of organizations that obtained double the amount of funding they were eligible for.
- Monitoring of the program's operations was ineffective.
- There was no formal agreement by the Board to allow programs to use its processes and accounts to administer the COVID-19 programs.
- Department officials provided summary information to the Board; however, it did not provide details such as overpayments or accounting errors. Updates on the programs were infrequent and did not provide details on the status of controls established to ensure payments made from the bank account were appropriately approved and monitored effectively.

Findings - Grant Programs

Objective 1 To determine whether the Innovation and Business Investment Corporation grant programs were effectively managed.

Criteria 1 Grants are processed in accordance with program policies and procedures.

Criteria 2 Grants are executed in accordance with program policies, procedures and agreed terms and conditions.

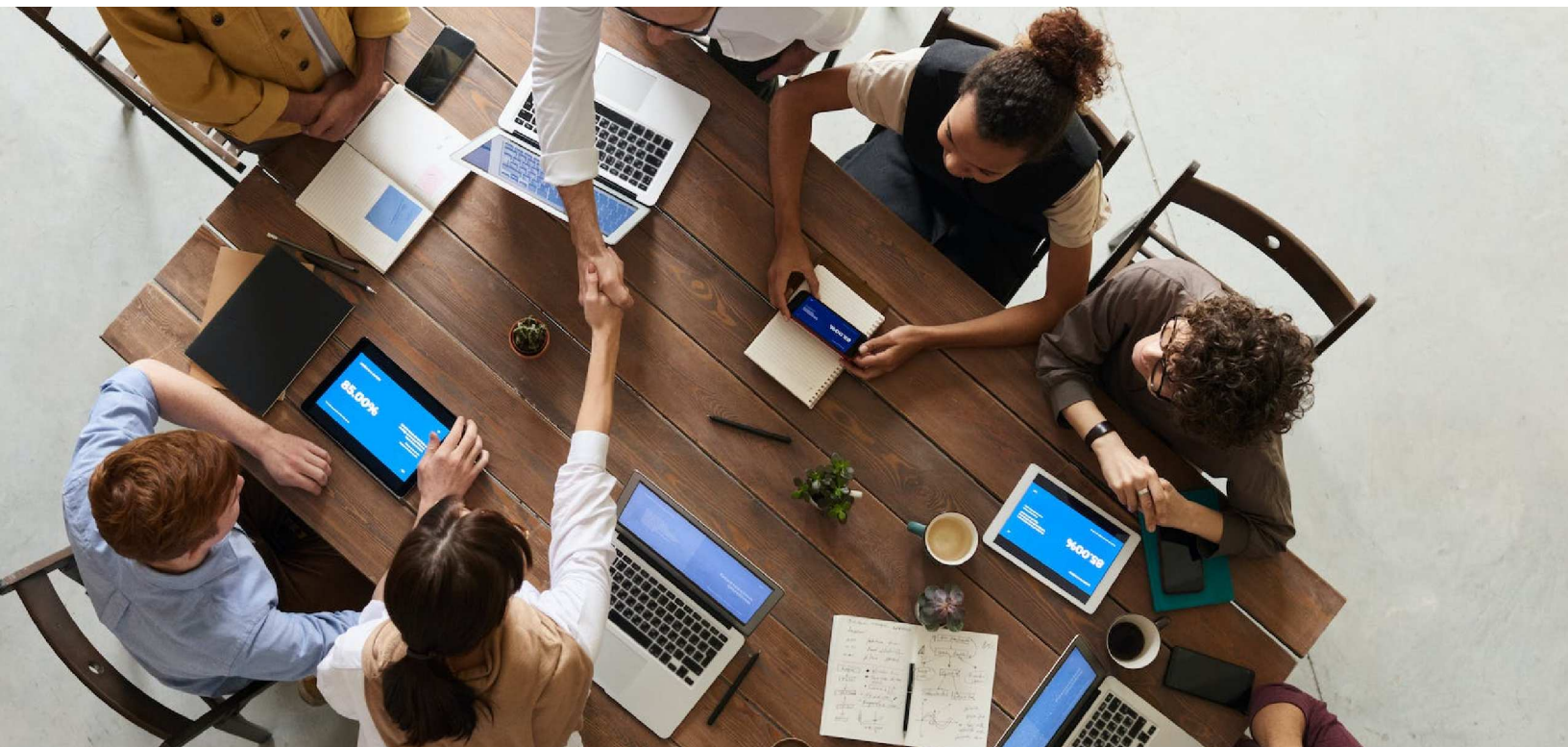


What We Expected

We expected grant programs to have current and approved policies and procedures to guide assessment, processing and payment. We expected the Board of the Innovation and Business Investment Corporation would periodically review these policy documents for changes and updates, approve them in a timely manner, and apply them consistently.

We expected the Board to administer and manage the grant programs directly and through its delegated authority to staff of the Department of Industry, Energy and Technology. We expected the Corporation would ensure that it obtained sufficient and appropriate information for grant applications. We expected applications would be assessed in a fair and consistent manner to ensure they met eligibility criteria as stated in program guidelines. We expected assessment results would be documented clearly in applicant files, especially in cases of deviation from policy.

We expected all required checks and consultations would be performed and documented prior to grant disbursements. We also expected all documentation required for payment to applicants to be complete and retained appropriately by the Corporation.





What We Learned

Policies and Procedures

We found that Corporation policies and procedures for two of the three grant programs were in draft form and had not been approved by the Board during our audit scope period. The Business Development Support Program was still operating under 2017 policies and procedures from the prior Business Investment Corporation. Policies and procedures for the Research and Innovation Fund for Non-Commercial Projects also had at least three draft policies in use by staff. Additionally, Commercial Research and Development Projects lacked a current policy and procedures document, and as a result, staff used draft policies intended for a new program meant to replace the Commercial Research and Development Projects and Business Development Support Programs.

We found that **Business Development Support Program policies and procedures contained inconsistencies between which business sectors were eligible for funding.** Assessment guidelines indicated that real-estate and drinking establishments were the only exclusions; however, a policies and procedures manual also excluded research and development projects (which were covered under the Research and Innovation Fund programs).

Processing and Assessment of Grant Applications

We found the Corporation did not fully confirm grant applicants' eligibility in accordance with approved or in-use policies and procedures.

We found 11 of the 20 Business Development Support Program grants (55 per cent) did not appear to have the required cross-departmental financial appropriateness checks completed. Cross-departmental checks ensure an applicant does not owe money to another area of government before being approved for funding and that they have not already received funding from another department for the same purpose. **The need for cross-departmental checks was identified in our financial statement audits and noted in our 2019 audit management letter to the Corporation.** In those audits, the Corporation had provided funding for the same project and asset that another department had already funded. We note that in November 2021 (toward the end of our audit period), the Corporation expanded its requirement for cross-departmental checks to include all government departments operating funding programs in order to determine if applicants had received funding from their programs for the same project.

In nine of the 20 Business Development Support Program samples (45 per cent), formal consultation on application merit required from other departments or agencies was missing. Corporation policy required that a copy of formal correspondence requesting consultation be retained on file. However, this correspondence was missing and in each case, only a memo in the funding recipients' file indicated consultation had happened.

We found **one instance in the 20 Business Development Support Program samples (five per cent) where file documentation indicated a staff member had raised concerns about an applicant's sincerity and trustworthiness, but this concern was not addressed in the final contract.** File notes indicated the concern was based on the employee's prior experience and conflicting information obtained during the grant assessment process; however, there was no support in the file to document why this concern was not addressed before fund disbursement.

In the Research Innovation Fund for Non-Commercial Projects grant files, we found one of 20 (five per cent) did not have the correct client contribution amount of 10 per cent (the applicant had contributed eight per cent). Minimum contribution rates are set to ensure applicants have a suitable stake in their project thereby reducing the risk of non-completion; a minimum contribution rate also serves to ensure the Corporation is not the sole funding agent. The reason for this deviation from the policy was not documented in the file.

We also found that seven of the 20 Research and Innovation Fund for Non-Commercial Projects samples (35 per cent) did not have the organization's primary research applicants' employment start date recorded on the application, as required by policy.

As well, grant recipients' Letters of Offer could not be found for 11 files (one for non-commercial projects and 10 for commercial projects), and in one of these cases, a copy of the contract signed by the recipient could not be found. Grants were disbursed to the applicants in each case.

Grant Execution and Issuance

The tables below outline the disbursement details of the Corporation's three grant programs examined during our audit:

Table 1 - Corporation's Grant Program Funding Details

	Business Development Support Program	Research and Innovation Fund for Non-Commercial Projects	Commercial Research and Development Projects
Total Number of Grants Paid	638	95	82
Total Grant Payouts	\$17.1 million	\$24.4 million	\$16.5 million
Average Grant Payment	\$26,700	\$256,800	\$201,400

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy and Technology (unaudited).

Table 2 - Business Development Support Program Approved and Issued between June 2018 and December 2021

Funding Amount Range	Number of Recipients	Average funding per recipient	Total Funds Paid Out	% of Total Funded
\$1 to \$49,999	536	\$11,306	\$6,060,000	36%
\$49,999 to \$99,999	73	\$75,589	\$5,518,000	32%
\$100,000 to \$149,999	26	\$117,269	\$3,049,000	18%
\$150,000 to \$199,999	1	\$174,000	\$174,000	1%
\$200,000 and greater	2	\$1,127,500	\$2,255,000	13%
Total	638	\$26,700	\$17,056,000	100%

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy and Technology (unaudited).

Table 3 - Research and Innovation Fund for Non-Commercial Projects Approved and Issued between June 2018 and December 2021

Funding Amount Range	Number of Recipients	Average Funding per Recipient	Total Funds Paid Out	% of Total Funded
\$0 to \$99,999	43	\$23,372	\$1,005,000	4%
\$100,000 to \$199,999	15	\$132,333	\$1,985,000	8%
\$200,000 to \$299,999	9	\$247,556	\$2,228,000	9%
\$300,000 to \$399,999	10	\$337,600	\$3,376,000	14%
\$400,000 to \$499,999	7	\$429,286	\$3,005,000	12%
\$500,000 to \$999,999	7	\$647,714	\$4,534,000	19%
\$1,000,000 and greater	4	\$2,065,750	\$8,263,000	34%
Total	95	\$256,800	\$24,396,000	100%

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy and Technology (unaudited).

Table 4 - Commercial Research and Development Projects Approved and Issued between June 2018 and December 2021

Funding Amount Range	Number of Recipients	Average Funding per Recipient	Total Funds Paid Out	% of Total Funded
\$0 to \$99,999	31	\$49,097	\$1,522,000	9%
\$100,000 to \$199,999	21	\$140,333	\$2,947,000	18%
\$200,000 to \$299,999	10	\$245,200	\$2,452,000	15%
\$300,000 to \$399,999	5	\$333,600	\$1,668,000	10%
\$400,000 to \$499,999	8	\$465,375	\$3,723,000	23%
\$500,000 to \$999,999	7	\$599,857	\$4,199,000	25%
Total	82	\$201,354	\$16,511,000	100%

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy and Technology (unaudited).

Grant Programs

We found that **not all required clearance checks had been completed before grant disbursement**. In 48 of our 60 samples (80 per cent), grants were missing confirmations and checks required by Corporation policies and procedures.

In all 20 Commercial Research and Development Project grant samples, we found that there was no evidence applicants were confirmed to be in good standing with the provincial government when the application was assessed, throughout the duration of the agreement, or prior to payments being disbursed. The Corporation indicated that it relied on applicants to disclose their financial standing rather than confirming their actual circumstances. We do note that the other two grant programs, Business Development Support and the Research and Innovation Fund for Non-Commercial Projects, did demonstrate evidence of checks for good standing with government.

In 19 of the 20 Business Development Support Program (95 per cent) files, we found instances of grant payments made without evidence that the required third-party credit check had been completed. As well, in 10 of these 20 samples (50 per cent), the required clearance checks had not been re-performed in instances where grant disbursements were more than 90 days apart. The Corporation confirmed it had not performed these required checks during our audit. We also found that **in three of these 20 samples (15 per cent), funds had been disbursed without the Corporation having received the appropriate evidence of grant-eligible costs incurred by the recipient. We identified issues with accepting insufficient or inappropriate receipts to support grant payments in prior financial statement audits and noted it in our 2019, 2020 and 2021 audit management letters to the Corporation.**

Eight of the 20 Research and Innovation Fund for Non-Commercial Project grants (40 per cent) did not have the required Companies and Deeds Online check performed prior to payment; seven of these eight did not have the required check with the Canada Revenue Agency for any issues with the project's private partners. The Corporation indicated that the Companies and Deeds Online check was not required for non-commercial project applications, although it is stated in the Corporation's policies and procedures for these grants, and was performed for eight of the 20 files reviewed.

Contrary to contract agreements, we did not find evidence of site visits in any of the 60 samples (100 per cent) tested across all three grants programs. Contracts for all grants contain a clause giving the Corporation the right to visit an applicant's business/premises to monitor their activities. This right was not exercised in any of our samples. **We identified the importance of site visits to ensure funding was used appropriately in prior financial statement audits and noted it in our 2019 audit management letter to the Corporation,** stressing the need to verify that assets reported to have been purchased with grant funding were actually purchased.

Board Oversight and Monitoring

The Innovation and Business Investment Corporation is a crown corporation, created by legislation, with the purpose of making investments according to the priorities of government. The Board is responsible for managing and administering the business of the Corporation and has decision-making authority over the funds provided annually by government for its programs and the ability to delegate these powers as needed to achieve the Corporation's goals. As such, they have a duty to perform appropriate governance over their portfolio.

While the Board delegated a large portion of the responsibility for grant approvals to the department based on size thresholds, they remained responsible for the policies and procedures that are used, as well as the outcomes of those funding decisions. **The Corporation prepared information on approved and active grants for the Board in quarterly reports from the portfolio management division. While these reports provided appropriate detail on the status of active accounts, we found these reports were not prepared and provided to the Board for all quarterly periods during our audit scope.**

File Documentation Completeness

We found that certain areas of our sampling file documentation, intended to prove that processes and procedures were appropriately followed, were incomplete. The documentation in these instances was either not acquired by the Corporation, created as required, or had not been properly retained. This included file documentation concerns related to findings already noted in this report, such as missing clearance checks, missing copies of grant offer letters, and a lack of evidence of cross-departmental checks.



Why It Matters

Corporation policies and procedures are the foundation to ensure all its activities are appropriate, fair, and consistent. It is critical that policies and procedures are reviewed regularly for applicability and that only approved policies are used by staff. This is an important Board responsibility because it aids in the management of the Corporation's financial portfolio, one of the primary duties of the Board. The existence of multiple policy working drafts creates the risk that the program may not function correctly due to the application of multiple policies and procedures.

It is important all grant program policies, procedures, and eligibility requirements are adhered to in order to ensure funds are used for their intended purpose. It is also important that grant applications and contracts are processed and administered accurately and appropriately. Failure to do so may result in funding applications being approved inconsistently; not in accordance with program requirements; or grants being provided to organizations that should not have received public funds.

Completeness of records is critical - when signed contracts or recipients' correspondence are lost or misplaced, the risk of future disagreement between the Corporation and the client increases, thereby also increasing the risk funds are distributed incorrectly. Similarly, correspondence between relevant departments/agencies regarding applications allows departments and agencies with a vested interest in an applicant's operations the opportunity to identify issues, resolve concerns, and potentially avoid disbursing funds to ineligible applicants.

Staff processing applications work directly with applicants and are in a position to assess their eligibility and probability of success. If staff identify issues during the assessment process, they need to be addressed and documented before funds are disbursed.



Findings - Loans & Investments

Objective 2 To determine whether the Innovation and Business Investment Corporation's Business Investment Fund was effectively managed.

Criteria 1 Loans and investments are processed in accordance with program policies and procedures.

Criteria 2 Loans and investments are executed in accordance with program policies and procedures and agreed terms and conditions.



What We Expected

We expected loans and investments issued by the Innovation and Business Investment Corporation would comply with the Corporation's policies and procedures, as well as with agreed terms and conditions. For example, we expected confirmation and background checks of applicants before loans and investments were disbursed. We also expected that information supporting an applicant's assessment and approval would be retained in the Corporation's records.

We expected any requirements outlined in signed contracts would have been met throughout the term of the loan or investment, and before file completion and closure. We also expected applicants' documentation on security to be obtained and maintained in good order to protect the Corporation.

We expected that loans and investments would be appropriately monitored in keeping with Corporation policies and procedures and that monitoring information would be reviewed and acted on in a timely manner. We expected the Board and department officials would have effective management and control over the client's information and status in order to ensure the loan and investment portfolio's financial health.





What We Learned

Policies & Procedures

We did not find any concerns regarding the condition of policies and procedures for loans and investments. We found the Corporation's policies and procedures for the Business Investment Fund, under which loans and investments are made, was last updated in December 2018.

Processing and Assessment of Loans and Investments

We found the Corporation followed appropriate processing and assessment processes for 33 of the 35 applications tested (94 per cent). However, we found that one of the samples did not have a declaration of the applicant's personal net worth, while another did not have an acceptance letter signed by the applicant.

Execution and Issuance of Loans and Investments

Table 5 - Corporation Loans & Investments Approved & Issued between June 2018 & December 2021

Funding Amount Range	Number of Recipients	Average Funding per Recipient	Total Funds Paid Out	% of Total Funded
\$0 to \$99,999	34	\$33,588	\$1,142,000	6%
\$100,000 to \$199,999	18	\$125,222	\$2,254,000	11%
\$200,000 to \$299,999	7	\$244,714	\$1,713,000	8%
\$300,000 to \$399,999	7	\$356,571	\$2,496,000	12%
\$400,000 to \$499,999	1	\$454,000	\$454,000	2%
\$500,000 to \$999,999	4	\$618,750	\$2,475,000	12%
\$1,000,000 and greater	4	\$2,500,000	\$10,000,000	49%
Total	75	\$273,787	\$20,534,000	100%

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and Industry, Energy, and Technology (unaudited).

We often could not find evidence that some of the required processes for investment payout happened prior to funds being disbursed. **In 31 of the 35 samples (89 per cent), there were no required cross-government departmental checks with the Department of Finance and the Office of the Comptroller General.** These checks ensure that applicants are not in arrears or have debts owing to government. We also found **14 samples (40 per cent) did not have evidence of third-party credit checks or a review of the applicant's credit history, as required by policy.** Evidence of other clearance checks was also missing from 12 samples (34 per cent).

Many loan and investment files did not have up-to-date insurance and collateral information. **Five of 18 loans and investments audited (28 per cent), required to have insurance assets registered with the Corporation, did not have evidence of insurance policy details in the Corporation's insurance registry, nor did these files have a current copy of insurance coverage on file.** The Corporation's registry is intended to track the details of insurance committed by an applicant as security for their loan or investment, allowing the Corporation to obtain insurance proceeds should something happen to the secured asset.

Nine other samples (of 18, or 50 per cent) had outdated copies of insurance coverage on file, with five having their coverage expired more than two years prior.

We also found two of 35 samples (six per cent) did not have the personal property pledged by applicants as security for the loan listed in the Personal Property Registry as required.

Board Oversight and Monitoring of Loans and Investments

The Innovation and Business Investment Corporation is a crown corporation, created by legislation, with the purpose of making investments according to the priorities of government. The Board is responsible for managing and administering the business of the Corporation and has decision-making authority over the funds provided annually by government for its programs and the ability to delegate these powers as needed to achieve the Corporation's goals. As such, they have a duty to perform appropriate governance over their portfolio. Similar to grant programs, the Board has delegated a large portion of the operational responsibility to approve loan and investment applications to the department based on the size of the funding request.

We found that loans and investments were not appropriately monitored according to the Corporation's policies and procedures. In 24 of 35 samples (69 per cent), we found there was no account status report on file (these reports document all activities staff perform in monitoring a recipient's account). Six of these 24 samples (17 per cent) were delinquent (over 30 days in arrears or had experienced other adverse changes). Two of these six delinquent accounts did not have evidence of monitoring activity performed. During delinquency monitoring, staff are supposed to frequently contact applicants in an attempt to return their business to good status or begin collection efforts. However, once all business and legal measures for repayment have been exhausted, accounts are written off. While five of the delinquent files were returned to active status after our audit scope period, one subsequently entered bankruptcy.

We did not find any evidence that the loans and investment delinquencies had been brought to the attention of the Corporation's Board during our scope period. The Corporation was supposed to prepare summary information reports on active loans and investments for the Board, but it did not include detailed information regarding delinquencies during our sample. Also, while these reports were intended to be prepared and provided on a quarterly basis, we found that they were not prepared and provided to the Board for all quarterly periods during our audit scope.

Information and File Documentation Completeness

We found that in certain areas of our sampling, file documentation intended to prove that processes and procedures were appropriately followed was incomplete. Documentation in these instances had not been acquired by the Corporation, created as required, or properly retained. For example, there were missing account status reports and clearance checks of applicants before payment. Information for our sampling was accumulated by department officials from several sources, including their loans and grants system, records management system, email, and from numerous files on their network drive. Some information was missing and had to be located through additional searches.



Why It Matters

The policies and procedures that govern any government loan or investment portfolio are critical to fund management. Without adherence - especially to agreed-upon terms and conditions of contracts with applicants - the Innovation and Business Investment Corporation may have increased the risk that it provided funds to ineligible applicants, or to those that did not use the funds for their originally intended purpose. Additionally, without completing the required checks, funds may be placed at a higher risk of not being repaid; being used by applicants to pay other debts; or making it possible that applicants with credit issues may have received funding that was at an increased risk of default.

Insufficient data and documentation create risk. Obtaining and storing incorrect or insufficient documentation from applicants can result in the disbursement of loans and investments that do not meet program requirements. Without copies of current insurance policies or clear records of assets guaranteed as collateral, it was possible that policies may have lapsed without the Corporation's knowledge, resulting in an increased risk of future losses. Similarly, without maintaining a registry of the applicant's guaranteed personal property, the items used to secure loans may have been sold or lost by applicants, further exposing the Corporation to potential loss. The lack of consistency in data management for loan and investment documentation creates the risk that important information could get lost or multiple versions of the same document could exist, causing confusion in the loan and investment process.

The Board is responsible for oversight of the Corporation's operations and should have been aware of the status of loans and investments, particularly delinquencies, to ensure the appropriate steps were taken. It is important that the Board closely monitor the health of this portfolio as they have a duty to perform appropriate governance over the operations of the Corporation. Lack of appropriate monitoring of loans and investments could result in the Corporation being unaware of an applicant's changing financial circumstances, potentially leading to the Corporation (and government overall) being unable to recover funds should an applicant default on their loan or their project fail.



Findings - Loan & Investment Write-Offs

Criteria 3

Loans and investments are written off in accordance with program policies and procedures and are closed according to good practice.



What We Expected

We expected there were current and approved policies and procedures governing the collection and write-off of loans and investment accounts.

We expected the Innovation and Business Investment Corporation to exhaust all possible options for fund collection before writing off any of its loans or investments. In the event that collection was deemed not possible, we expected uncollectible loans and investments to be written off in an efficient manner.

We also expected the Board of Directors would be given sufficient monitoring information on delinquent loans and write-offs and that they would provide appropriate oversight throughout.



What We Learned

Policies and Procedures

We found the Corporation's policies and procedures did not restrict businesses that had previously received a write-off on a previous loan from applying for new funds from programs offered by the Corporation. However, we did not find evidence of prior clients related to the 31 write-offs tested during our audit scope applying for new funding.

We did not find any other concerns regarding the condition of policies and procedures for loans and investments. We found that the Corporation's policies and procedures for the Business Investment Fund, under which loans and investments write-offs are made, were last updated in December 2018.

Processing and Assessment of Write-Offs

Loan and investment accounts become delinquent when they go over 30 days in arrears or due to other adverse changes in conditions. When an account becomes delinquent, the Corporation must make every effort to arrange for the account to be brought up to date. If the account cannot be returned to regular status, collection efforts are started and staff are required to pursue the collateral held by the Corporation from the business and provide a claim on assets during any dissolution of the business. Once all business and legal measures for repayment have been exhausted, a write-off of the account will be performed. A number of circumstances, such as the destruction of the business; bankruptcy; the passing of the applicant; or other legal-related matters; can cause write-offs to become required. The write-off amendment must show the history of the business failure as well as the status of possible security recoveries.

Based on information department officials provided about years prior to our scope period, it appeared the Corporation pursued using collateral as a means to recover losses on loans and investments wherever possible. However, as **25 of the write-offs approved within our audit scope were for loans or investments that were decades old, it was therefore difficult to assess the sufficient use of collateral.** Collections activity also depended on a business' circumstances during the time they became delinquent. For example, five businesses entered bankruptcy between the time they became delinquent and the write-off, releasing the client from the responsibility of repaying funds owed to the Corporation.



Table 6 - Loans and Investments Written Off Between June 2018 and December 2021

	# of Write-Offs	Average Amount	Total Dollar Amount
Breakdown by Size			
\$0 to \$9,999	5	\$3,600	\$18,000
\$10,000 to \$49,999	17	\$28,000	\$480,000
\$50,000 to \$99,999	4	\$68,000	\$273,000
\$100,000 to \$1,000,000	2	\$372,000	\$743,000
Total*	28	\$ 54,000	\$ 1,514,000
Age Range of Loans			
1 to 10 years	2	\$ 339,000	\$678,000
10 to 20 years	3	\$51,000	\$153,000
Greater than 20 years	23	\$30,000	\$683,000
Total*	28	\$54,000	\$1,514,000

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy, and Technology (unaudited).

* There were an additional three write-offs in progress between the Corporation and the debtors at the time of the audit.

We found that **in eight of the 31 (26 per cent) write-offs, assets could not be pursued because the client could not be contacted or located by the Corporation; with some clients unreachable for up to 22 years.** In addition, **in four of these cases, court judgments acquired by the previous Business Investment Corporation were allowed to lapse, contributing to the need for a write-off.** These judgments would have allowed the Corporation to pursue legal means of enforcing collections against applicants and potentially recovering funds. The lapse of these court judgments happened over a decade before our audit scope period, and almost half of the current balance of the Corporation's loans and investments are considered likely uncollectible. As noted in our monitoring section on loans and investments, annual account reports are not being prepared and reviewed as required.

Board Oversight and Monitoring

We found that **the Corporation's Board of Directors was not given adequate monitoring information about the status of delinquent loans, and the summary information reports meant to highlight delinquencies were missing information on 26 of the 31 loans and investments (84 per cent) entering write-off status. Twenty-four (92 per cent) of these 26 loans and investments were more than 15 years old and had no repayment activity for over a decade.** We also found in one of the other five samples (three per cent) there was no evidence of the required annual account review by the Corporation in the time leading up to the loan being written-off.

The Board is solely responsible for writing off any account on behalf of the Corporation and relies on the staff at Industry, Energy and Technology to follow their approved policies and procedures to do this appropriately. **The Corporation's records also contained more than 100 other delinquent loans totalling \$6.2 million that were, at minimum, over five years old - with some up to 40 years old, which had not yet been written off.** The Corporation treats the collection of these accounts as doubtful in its financial statements. We found that the Corporation's Board of Directors had also not been given monitoring information or reports about these delinquent accounts.



Why It Matters

The public trusts that government and its entities do everything within their power to manage, maintain, and recover public funds where and when necessary. The key to ensuring this is possible is to prevent the circumstances that lead to the need for an account to be written off. The Board of the Corporation is responsible for the oversight of its portfolio and the policies and procedures that guide the issuance, monitoring, and recovery of its loans and investments. Processes must be followed to ensure funds are provided to viable businesses. Monitoring activities must be detailed and frequent to ensure the operations of the business continue to support the decision to provide the funding. When operations are found to be deteriorating, collection efforts must be prompt to protect the Corporation from potential losses. Write-offs should be an act of last resort and managed efficiently to minimize losses and the use of operational resources.

Write-offs that take a significant amount of time - some decades - to be settled, create risk and waste Corporation resources through the maintenance and tracking of historically insolvent accounts that have little possibility of fund recovery. Without sufficient monitoring information about delinquent loans being maintained and provided to the Board, there may be critical decisions missed regarding recovery and/or write-offs, thereby increasing potential loss to the Corporation.

Findings - COVID-19 Program Management

Objective 3 To determine whether the Small Business Assistance Program and the Tourism and Hospitality Support Program, administered by the Innovation and Business Investment Corporation, were effectively managed and overseen.

Criteria 1 Industry, Energy and Technology assessed and approved applications and made payments relating to the Small Business Assistance Program on behalf of the Innovation and Business Investment Corporation, according to program policies and procedures and with appropriate due diligence. Industry, Energy and Technology also monitored the overall activity of the program.

Criteria 2 Industry, Energy and Technology and Tourism, Culture, Arts and Recreation assessed and approved applications and made payments relating to the Tourism and Hospitality Support Program on behalf of the Innovation and Business Investment Corporation, according to program policies and procedures and with appropriate due diligence. Industry, Energy and Technology and Tourism, Culture, Arts and Recreation also monitored the overall activity of the program.



What We Expected

We expected the Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation to have designed the COVID-19 programs with appropriate policies, controls, and procedures, prior to the Corporation being selected as the designated agent for the programs. We expected that the departments would use Corporation approved policies and procedures to implement the Small Business Assistance and Tourism and Hospitality Support grant programs, applying appropriate due diligence given the Board's delegation direction. This would have included ensuring eligibility criteria were met; required checks pertaining to eligibility and disbursements were completed; and all results were documented in applicants' files.

Given that these programs were intended to provide financial support to businesses and organizations and there were significant pressures to respond in a timely manner, we expected the departments would have closely monitored the performance of the program, as well as applicants' activities, to ensure the programs were meeting their objectives without risking public funds.





What We Learned

Policies and Procedures

COVID-19 program guidelines, as well as policies and procedures, were created by the departments with advice from the Corporation's Board. We found that **process controls for accepting and assessing applications under each of the COVID-19 programs were weak and ineffective**. Industry, Energy and Technology officials stated that a custom web application was created for the programs to accept and process applications. This application assessment process had a manual intake control meant to identify potential duplicates by assigning perceived duplicates to staff for processing and investigation. As applications were received, this manual intake control relied on assessment staff to identify multiple applicants and potential duplicates.

The web-based application did not have any required field validation and applicants had to enter information manually. The lack of field validation could allow invalid, incomplete, or confidential information to be accepted in fields, such as someone entering their Social Insurance Number where the Canada Revenue Agency Business Number should have been entered. The manual entry introduced the risk of identical applications appearing dissimilar to assessment staff due to typing errors or other differences in presentation, such as a business's name ending in Ltd. versus Limited. The key intake control for the system was manually assigning applications with identical or similar information to the same assessor. During our audit, we found that this **control did not operate correctly, as evident from the overpayments found and numerous instances of similar applications assigned to separate assessors**.

The new processing system for the COVID-19 programs was used despite a valid grant processing system already existing and being used by the Innovation and Business Investment Corporation to process grants, loans, and investments for its other programs. The Corporation's existing grant system has its own process issues, as noted in Objective sections One and Two of this report and in our prior management letters to the Corporation. We also note that the Office of the Comptroller General maintains a strongly controlled processing system that is used to make most of government's payments, including grant payments under various programs across core government departments.

Industry, Energy and Technology officials stated that getting funds to recipients was streamlined under the Corporation as compared to going through the Office of the Comptroller General because the web-based system allowed funds to be processed and distributed quickly. For example, some applicants received funds as quickly as the day after the assessment. However, in so doing, **the department accepted a significantly higher risk of fraud error because the controls were weak**. This was compounded by the manual nature of the controls for assessing applications. The Office of the Comptroller General advised us that they had been aware of the decision to process program funds through the Corporation and felt that the Corporation had the mandate to do so.

We found many inconsistencies between public-facing guidelines and the internal processing guidelines governing program applications for the Tourism and Hospitality Support and the Small Business Assistance Programs. These inconsistencies related to the eligibility of businesses with non-local ownership, food and beverage franchises, hotel chains, and business operations with multiple enterprises. Each of these policy and procedure inconsistencies impacted both the processing and assessments of applications and the execution and payments for these applications. Details related to each of these areas are outlined in the following sections.

Grant Processing and Assessment

We found that in order to simplify and accelerate the application process for COVID-19 grants, both departments **relied on applicants' own proof of eligibility, accepting the risk that some applicants might not be eligible for funding. There were no application reviews beyond the initial assessment process and no post-payment verification plan was made or executed.** The terms and conditions in the online application did not specify any penalties for falsifying information; rather, the application stated that the applicant would either not receive funding or would have to repay funding if issues or errors were discovered.

Critical eligibility criteria were not verified by the departments such as:

- **The applicant's number of employees under the Small Business Assistance Program** (used to determine the size of a grant).
- **The revenue loss for the enterprise under the Tourism and Hospitality Support Program** (used to determine basic eligibility and the grant amount for the program).

Processing guidelines for both programs required assessors to check the business status in the registry of Companies and Deeds online at the Department of Digital Government and Service NL. However, we were advised this had little effect on applicant approvals. Assessors would contact Digital Government and Service NL regarding the companies' status (if not in good standing) and ask that Industry, Energy and Technology staff contact applicants to update their information in order for their application to be approved.

We also found that there was no validation process in place to confirm whether an applicant was a key member of the organization, such as the owner or a member of the senior executive of the business that was applying for funding. Guidelines for the Small Business Assistance Program and the second phase of the Tourism and Hospitality Support Program required that applicants be a key contact, and departments relied on applicants' claim of their title; the assessor's work on the application; and informal correspondence with the applicant to determine if they were a key contact. However, there was no established method to confirm whether applicants were the correct contact for the organization.

We found that **Small Business Assistance Program guidelines - meant to restrict funding exclusively to small, local businesses - were not always followed.** Businesses were not eligible for Small Business Assistance Program funding if they employed over 99 employees. From a full review of the program's data, there were five businesses that applied to the program with over 99 employees. Three of these businesses were declined funding specifically for being over the 99-employee limit. However, **two of these five applications had over 100 employees and were each awarded funding.**

The assessment notes for one of these businesses – a grocery store – stated the business qualified for \$8,600 based on their employment level with a 'full-time equivalent' adjustment. This change resulted in their employee numbers being reduced to within the program limit. This full-time equivalent calculation was not applied to any other businesses we sampled regardless of employment thresholds. The second business – a golf course – was provided with a \$10,000 grant; the assessment notes stated that there over 99 employees, but gave no reason why the application was approved.

We found no apparent reason why these businesses would have been treated differently. The full-time equivalent reduction was also not present in any publicly available or internal guidance material for the program. Industry, Energy and Technology officials indicated that the guidelines did not specifically note whether such an adjustment could or could not be used; however, this practice is the opposite of the public and internal guidelines and we could find no justification for the inconsistencies.

Policy for Phase 2 of the Tourism and Hospitality Support Program allowed businesses to obtain a minimum grant of \$2,500. This was regardless of assessment results of the five per cent of their sales loss year-over-year, as long as they had a sales loss of at least \$1. In the full database, **we noted six applicants that received \$2,500, even though their total sales losses were, for example, as small as \$77. On average, sales losses year-over-year for the six applicants were \$937, but each received \$2,500.** Due to concerns we had with system controls and data, it is difficult to determine if these were the only instances of funding that were provided in excess of the recipients' losses.

We found that information provided by applicants about their risk to remain operational went unnoticed during assessment processes. One of the eligibility requirements for both programs was to have a plan to continue operations; however, in two of our samples (one in each COVID-19 program), a going concern note was included in the 2019 financial statements provided by the applicants:

- For the Tourism and Hospitality Support Program sample (one of 83; one per cent), publicly available information from the owner indicated that their business was close to closing as of early January 2021. The business submitted an application under the Small Business Assistance Program in March 2021 and received \$7,500. A subsequent application for Phase 2 of the program was submitted in mid-summer 2021, and the business was granted \$41,000. The business closed 19 days later.
- For the Small Business Assistance Program sample (one of 73; one per cent), while the organization did continue operations, there was no evidence in the file of any follow-up regarding the going concern.

We found **ambiguity in the business ownership eligibility guidelines used externally versus internally for both COVID-19 programs**. Externally, guidelines stated that businesses needed to be provincially owned and operated; internally, the guidance stated that a business needed only to be incorporated in the province. The less stringent internal guidance was not communicated to the public. For example, we found three applications in our sample of 73 (four per cent, and all for real estate management companies) for the Small Business Assistance Program for businesses that were not locally owned. All three businesses were owned by the same individual who lived in another province. These businesses each received \$5,000 as a result of the application of internal guidance. According to external guidelines, these businesses would not have been eligible due to the owners out of province residence.

We found **guidelines for the Tourism and Hospitality Support Program had adaptations made to the program's criteria internally that were not communicated to the public**. One example of inconsistency was found in the guidance given for food and beverage franchises. Externally, guidance indicated that these operations were ineligible for the program. However, we found examples of franchises that applied for and received funding. An internal rule change in September 2020 allowed these businesses to apply if they were headquartered in the province or could demonstrate the need for the funding - this eligibility change was not communicated to the public. The Small Business Assistance Program guidelines released in mid-October 2020, indicated that food and beverage franchises had to seek funding from the Small Business Assistance Program.

We also found inconsistencies in the guidelines for large hotel chains. **We found several examples of large chains applying for and receiving funding from the first phase (held June 8, 2020 to March 11, 2021) of the Tourism and Hospitality Support Program, despite initial public guidelines for the first phase stipulating that international hotel corporations were ineligible**. An internal rule change in late June 2020 altered this guidance to allow large hotel chains to apply if they were registered/incorporated in the province and/or provincially owned/operated. External guidelines were not updated for this change to the first Phase, even when other portions of program guidelines were updated in mid-July 2020.

We also found that there was no consistent definition of 'multiple enterprises' when assessing applications. Internal guidance defined multiple enterprises as portions of one operation whose revenues and expenses could be separated on an income statement. This definition was not part of public guidelines. However, **we found multiple Tourism and Hospitality Support Program grants had been awarded to applicants that had not provided separate revenue and expense streams in accordance with internal guidance. The total funding awarded to these additional applications was \$67,500 in our sample**.

Other examples of inconsistent application of the definition of multiple enterprises relate to two businesses in our sample of 83 applications (two per cent) that applied for the second phase (held July 13 to October 14, 2021) of the Tourism and Hospitality Support Program for a restaurant portion of their operations. The year-over-year loss in revenue used to calculate the grant amounts of \$50,000 and \$48,000, respectively, were overstated by including the revenue drop of an ineligible stream. File information indicated the ineligible revenue streams were not separated from the eligible portion of the businesses in the applications.

There were inconsistencies in the language used in both programs' applications and guidelines, as well as information requested from applicants, that was not required by the program to process and approve payments:

- The Tourism and Hospitality Support and Small Business Assistance Programs required applicants to have a reasonable plan to continue operations, but no such plan was actually required.

- The Small Business Assistance Program public guidelines stated that applicants could apply for support if they had a revenue loss and a cost increase. However, internal guidance allowed this to be a revenue loss or a cost increase.
- Programs asked whether the applicants received any federal COVID-19 program support; the applicants' Canada Revenue Agency Business Number; as well as the number of individuals employed by the business in the Tourism and Hospitality Support Program. None of this information was used to process applications.

Grant Execution and Issuance

We found that - contrary to the eligibility requirements for the Tourism and Hospitality Support and Small Business Assistance Programs, as well as the controls put in place for the program - **organizations received more funding than they were eligible for by applying more than once.**

We found instances of duplicate applications and payments in our samples. Within the Small Business Assistance Program, recipients for two of 73 samples (four per cent) obtained double the amount of funding they were eligible for (each organization received \$10,000 rather than the allowable \$5,000). Although these applications had the same business number and location, they were not detected by the department's intake process and had not been assigned to the same assessor.

During our work on the databases of the Small Business Assistance Program and Phase 1 of the Tourism and Hospitality Support Program, we performed a basic comparison of the applicants' business names. From this, **we found seven applicants that received total excess funding of \$40,000 by applying for and obtaining funding from both programs.** These programs were operated concurrently and guidelines for the Small Business Assistance Program restricted applicants from applying to both. Due to the issues noted regarding the lack of field validation for the web application software, additional instances of duplication are difficult to detect in this manner, requiring a manual detailed comparison of all records from both systems to ensure that there were not additional excess payments made.

Under the Tourism and Hospitality Support Program, within our sample of 83 applications for both phases from mid-2020 and late-2021, **there were four instances (five per cent) of organizations that obtained double the amount of funding they were eligible for** (\$20,000 instead of \$10,000 for three and \$7,200 instead of \$3,600 for the fourth). The duplicate applications were not assigned to the same assessor for any of the four cases, as intended by the department's processes. One of these duplicates had been detected by Industry, Energy and Technology just after payment was made, and was subsequently recovered from the recipient.

Department officials working on behalf of the Corporation were unaware of these double payments until we brought them to their attention.

Monitoring of Programs

We found that officials from the departments monitored the overall financial activity of programs on a regular basis. Weekly updates on applications assessed and approved, and the amount of funding paid, were provided to the departments' executive staff. These reports were monitored and compared to the budget for their respective program.

However, we found that **monitoring of the program's operations was ineffective.** For example, the departments did not detect significant issues such as duplicate applicant payments and payments to ineligible applicants.



Why It Matters

It is important that all program policies, procedures, and eligibility requirements are adhered to in order to ensure program funds are distributed effectively. Without strong and consistent application standards and guidelines, there is a risk programs supported inappropriate or ineligible organizations, resulting in a misuse of public money. This may have also led to similar businesses being treated and supported differently based on their application's processing, resulting in unfair or inconsistent funding across applicants. If the information provided by applicants was not closely reviewed before or after payment, ineligible businesses may have been supported under the programs.

The existence of conflicting internal and external policy guidelines creates the risk that the program may not have provided support to all applicants in a fair and consistent manner due to the public being unaware of changes to eligibility. This may have resulted in businesses not applying for funding or receiving less support than they were eligible for due to these conflicting guidelines.

A failure to closely monitor program operations by the departments may have resulted in insufficient support for struggling operations during the pandemic or an inability to identify and correct issues that may have impacted the quality of the funding operation. As well, without proper monitoring, the departments were unable to identify and respond to issues or make modifications to correct relevant concerns.

It is important that information gathered for the operation of a program serves a purpose in its processing. It is also important that departments verify the significant assertions made by applicants. Information gathered for these programs could have been used to verify applicant details with other provincial or federal authorities (such as using the Business Number to verify details with the Canada Revenue Agency), reducing the risk of funding ineligible businesses. Other details gathered on applicants should be reviewed carefully to ensure that potential contradictions are noted and applications adjusted accordingly.

The program delivery structure, whereby department employees may have been acting as delegates of the Corporation or as Industry, Energy and Technology Management, made auditing the COVID-19 programs difficult. Determining the role a staff member was acting in when providing audit information, and who was actually performing operational oversight, given the dollar value of the Corporation's decision-making delegation to departmental employees, was confusing as well.



Findings - COVID-19 Program Oversight

Criteria 3

The Innovation and Business Investment Corporation provided appropriate oversight of the Small Business Assistance Program.

Criteria 4

The Innovation and Business Investment Corporation provided appropriate oversight of the Tourism and Hospitality Support Program.



What We Expected

We expected that the Innovation and Business Investment Corporation approved, accepted and understood its governance role with respect to the Small Business Assistance and Tourism and Hospitality Support programs. We expected the Corporation to have contributed to and approved the program design proposed by department staff, including the policies, controls, and procedures. We expected the Corporation to have received appropriate information on program delivery and for their minutes to show their due diligence.

We expected the Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation understood the Corporation's duty over its bank account, payments, and delegation authorities. We expected the departments would provide the Corporation's Board of Directors with appropriate and timely information about transactions, processing, delegation and issues encountered during program delivery, all in order to support the Board's oversight function.



What We Learned

Oversight Structure for COVID-19 Programs

The departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation were approved and funded to deliver the Tourism and Hospitality Support Program and Small Business Assistance Program. The departments decided to administer the program through the Innovation and Business Investment Corporation, using the Corporation's bank account and payment processing systems to operate these programs. **There was no formal agreement by the Board to allow these programs to use its processes and accounts to administer the COVID-19 programs.** The Chair of the Board advised us that the Board had informally agreed to allow the COVID-19 grant programs to operate through the Corporation, but did not feel that the Board was the steward of program funding. Presentations on program details were provided to the Board prior to, or just after, the respective program's launch, with only a June 10, 2021 meeting requiring a decision from the Board, which was the decision to provide temporary delegated approval authority to additional Industry, Energy and Technology staff to process Small Business Assistance Program applications.

Funding from government for COVID-19 programs was deposited to the Corporation's bank account in the same manner as the regular funding provided by government for all of the Corporation's programs.

Monitoring

We found that, while the departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation did provide the Corporation's Board with summary information on program expenditures, communication of information was not frequent, detailed, or timely enough to inform the Board that appropriate oversight was being performed.

Department officials provided summary information to the Board; however, it did not provide details such as overpayments or accounting errors. Updates on the programs were infrequent and did not provide details on the status of controls established to ensure payments made from the bank account were appropriately approved and monitored effectively. For example, the first phase of the Tourism and Hospitality Support Program and Small Business Assistance Program closed on March 11, 2021. The results of these programs – the number of applications received and approved and the amount funded – were not presented to the Board until more than three months later on June 29, 2021.



Why It Matters

The Innovation and Business Investment Corporation is a crown corporation, created by legislation, with the purpose of making investments according to the priorities of government. The Board is responsible for managing and administering the business of the Corporation and has decision-making authority over the funds provided annually by government for its programs and the power to delegate these powers as needed to achieve the Corporation's goals. As such, they have a duty to perform appropriate governance over their portfolio.

It is imperative that the Board is able to discharge its duties with respect to the oversight of transactions and controls over its internal processes and bank account. Without access to timely and relevant information about the bank account and the status of controls over payments from the bank account, it is not possible to provide oversight of the account. This can result in an inability to address issues in grant payments or in approval control in a timely and effective manner. The Board acts as the stewards of the bank account and, as a result, assumed a duty over the integrity of the funds distributed through it.

Subsequent Events

In March 2023, the Professional Services and Internal Audit Division of the Office of the Comptroller General released an internal audit report on the Tourism and Hospitality Support Program to Industry, Energy and Technology. The scope included Phases 1 and 2 and the audit period was June 1, 2020, to February 15, 2022. The report had detailed findings which were similar to our findings, such as reliance on self-declaration, overpayments, and insufficient supporting documentation.

When we brought our audit findings regarding double payments to the attention of department officials, starting in February 2023, they initially advised they were not intending to collect. In May 2023, they advised they now intend to pursue recovery of the excess funds we identified during this audit. Their response to our recommendations indicates that a full review of the COVID-19 payment issues is not being pursued.

Conclusions

The Innovation and Business Investment Corporation did not effectively manage all aspects of its grant, loans, and investment programs. This finding may have increased the risk that the Corporation supported ineligible businesses or that the funds provided were used for inappropriate purposes.

The Corporation's grant programs were not effectively managed. The Corporation did not fully confirm applicants' grant eligibility; did not perform all the required clearance checks prior to grant disbursement; and failed to coordinate with other departments to acquire the necessary supporting documentation needed to make grant payments. Also, several of the program's policies and procedures were outdated or in draft form and had not been approved by the Board, creating the risk that some aspects of the program may have been inconsistent due to the application of multiple policies and procedures.

While the Corporation did manage loan and investment assessment processes well, it did not manage the execution and issuance of its loan and investment program effectively. Required documentation to ensure applicants were not in arrears with government was not always obtained, and financial checks on applicants - designed to safeguard government - were not always obtained before funds were distributed.

Monitoring reports to outline the health of loans and investments and any delinquency concerns were not always prepared and were not always provided to the Board according to policy and procedure. Reports provided to the Board did not provide information on the status of old delinquent loans that were still in the Corporation's records. While there were 31 write-offs of old delinquent loans during our scope period, there were still 103 loans that ranged between 5 and 40 years old in the records. These loans are valued at \$6.2 million and collection is considered doubtful on the Corporation's financial statements, though they have not yet been formally written off.

The COVID-19 programs administered through the Innovation and Business Investment Corporation for the Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation were not effectively managed or overseen. As a result, there were overpayments of COVID-19 support to some businesses and financial support given to ineligible businesses. There were also many inconsistencies between the Corporation's external and internal guidelines, which resulted in inconsistency across applicant funding decisions and a lack of clarity that may have impacted whether some businesses applied.

We found that applicants to the COVID-19 programs were able to obtain more funding than they were eligible for by applying to the program more than once. The controls established for the programs by the two departments, who were acting on behalf of the Corporation, were ineffective, which contributed to some applicants receiving overfunding. Furthermore, the departments did not establish a post-payment verification review for the programs, instead relying on applicants' own claims of eligibility for the programs. As a result, the departments had no means of detecting these overpayments after the close of the programs, resulting in the misappropriation of public funds.

Industry, Energy and Technology and Tourism, Culture, Arts and Recreation did not effectively manage and monitor the COVID-19 grants program operations, as they failed to detect the issues we identified in our audit. Further, the Board was unable to ensure that appropriate controls were established and used regarding the Corporation's bank account as the information provided to it was insufficient for this purpose. Information to the Board was not timely or detailed enough for oversight of the program transactions through its bank account.

Recommendations

1. The Innovation and Business Investment Corporation should ensure that all policies and procedures are appropriate, regularly reviewed and updated, with updates approved and enacted in a timely manner.

Department of Industry, Energy and Technology's response: The Minister of Industry, Energy and Technology is responsible for setting the policies and procedures for the Innovation and Business Investment Corporation (the Corporation) as per the Innovation and Business Investment Act. This recommendation is in alignment with the Corporation's philosophy in relation to the appropriate content and applicability of policies and procedures as it relates to programs for which it has oversight.

The Department of Industry, Energy and Technology (the Department) agrees that the policies and procedures governing the Corporation should be appropriate, regularly updated as required, and these updates completed in a timely manner. The Department began a review of these policies and procedures a few years ago that was disrupted by the pandemic as well as departmental and personnel changes. The Department therefore acknowledges that this review has not been completed in a timely manner, but this work is now near completion for nearly all sets of guidelines, and new policies and procedures will soon be in place that will address many of the findings in the OAG's report.

The Department is committed to reviewing, in consultation with the Corporation's Board of Directors, Corporation's policies and procedures on an annual basis with appropriate recommendations, if required, advanced to the Minister within three months of being identified. The Department will enact any approved changes as quickly as possible, subject to the scale of the changes required.

2. The Innovation and Business Investment Corporation should ensure that all policies, procedures and contract terms for grants are followed and fully documented, including application assessments, approvals, payments and exceptions.

Department of Industry, Energy and Technology's response: The Department concurs that all policies and procedures and contract terms for grants where the Corporation has oversight, should be followed and fully documented, including application assessments, approvals, payments and exceptions. The Department's management or designate will ensure that all documentation is on file prior to the advancement of all approvals and payment requests, by checking the Economic Development Officer's inputted documentation. IT solutions implemented with the essential support of the Office of the Chief Information Officer can provide considerable assistance in this regard. The Department will also ensure a note to file is created if an exception is applied to a grant approval.

3. The Innovation and Business Investment Corporation should ensure that all policies and procedures for loans and investments are followed and fully documented, including monitoring, collections, debtor management and restrictions based on bad debt.

Department of Industry, Energy and Technology's response: The Department concurs that all policies and procedures for loans and investments where IBIC has oversight, should be followed and fully documented, including, monitoring, collections, debtor management and restrictions based on bad debt. The Department's management or designate will more closely review monitoring and collections activities for the loans and collections through quarterly reviews of the files with the Economic Development Officers to ensure any late payments are identified as quickly as possible, and that a collections process can promptly begin in the event of delinquency.

The Department, in consultation with the Corporation, will begin its review of the Business Investment Program policies and procedures in 2023-24 to determine the most appropriate restrictions related to bad debt. Once a recommendation is prepared, the Corporation will, through the Department, present the recommendation to the Minister for consideration.

Recommendations

4. The Innovation and Business Investment Corporation should ensure that concerns raised by staff working directly with applicant information and the resolutions of such are dealt with and fully documented as part of basic due diligence.

Department of Industry, Energy and Technology's response: The Department agrees that any concerns raised by staff related to projects under the purview of the Corporation should be addressed, including formal documentation of the concern and the resolution. The Department will ensure a note to file is prepared for any future concerns raised, with the resolution included in the note.

5. The Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should determine the full extent of ineligible applicants and applicant overfunding that occurred in the Small Business Assistance and Tourism and Hospitality Support programs and pursue collection.

Department of Industry, Energy and Technology's response: The Department is committed to pursuing the double payments identified by the Office of the Auditor General through the performance audit.

The Department, in consultation with the Corporation, will consider how best to pursue collections of ineligible applicants and applicant overpayment, while balancing the financial and human resources required with the potential for fund recovery.

Department of Tourism, Culture, Arts and Recreation's response: TCAR commits to working with IET officials to collect on double payments and ineligible projects that were identified in the audit, and, in partnership with IET, review a random sample to further review this issue.

6. The Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation should ensure that any future grant programs have appropriate policies and procedures designed and implemented which would address the issues identified in our audit.

Department of Industry, Energy and Technology's response: The Department commits that policies and procedures for future grant programs will be designed and implemented appropriately and in a manner that would address the issues identified in this audit. Lessons learned from developing programming for COVID-19 will be applied in the case of any future need to develop and implement emergency economic assistance programming, as will those identified in this audit that relate to other departmental programming.

Department of Tourism, Culture, Arts and Recreation's response: TCAR is fully committed to ensuring future programs undertaken by the Department have policies and procedures in place that address the issues identified in this report.

Appendix A - About this Audit

Why this Audit is Important

The Innovation and Business Investment Corporation has a legislated role in economic growth, business development, innovation, and research and development in the Province. This is done through the Business Development Support Program, Research and Innovation Fund for Commercial and Non-Commercial Projects, and the Business Investment Fund. In addition, during the scope period of our audit, the Tourism and Hospitality Support and Small Business Assistance COVID-19 relief programs were administered by the Corporation as well.

The purpose of the audit was to ensure the efficient and effective disbursement of public funds. Specifically, the audit assessed if funds were being provided to entities that were entitled to funding, that met program requirements, or that intended on using the funds appropriately.

Objectives

The objectives of our audit of the Innovation and Business Investment Corporation was to determine whether:

1. The Innovation and Business Investment Corporation grant programs were effectively managed.
2. The Innovation and Business Investment Corporation Business Investment Fund was effectively managed.
3. The Small Business Assistance Program and the Tourism and Hospitality Support Program administered by the Innovation and Business Investment Corporation were effectively managed and overseen.

Criteria

We developed criteria for this audit based on discussions with the Department of Industry, Energy and Technology management and officials responsible for providing administrative and operational support to the Corporation; the Department of Tourism, Culture, Arts and Recreation officials; minutes from meetings of the Corporation's Board of Directors; and review of relevant documentation, guidelines, legislation, and program policies and procedures. The Office of the Auditor General defined nine criteria for the three objectives. The senior management of the departments accepted the criteria as suitable.

The Office of the Auditor General assessed whether the Innovation and Business Investment Corporation grant programs were effectively managed against the following criteria:

- Grants are processed in accordance with program policies and procedures.
- Grants are executed in accordance with program policies, procedures, and agreed terms and conditions.

The Office of the Auditor General assessed whether the Innovation and Business Investment Corporation Business Investment Fund was effectively managed against the following criteria:

- Loans and investments are processed in accordance with program policies and procedures.
- Loans and investments are executed in accordance with program policies and procedures and agreed terms and conditions.
- Loans and investments are written off in accordance with program policies and procedures and are closed according to good practice.

The Office of the Auditor General assessed whether the Small Business Assistance program and Tourism and Hospitality Support program administered by the Innovation and Business Investment Corporation were effectively managed and overseen against the following criteria:

- Industry, Energy and Technology assessed and approved applications and made payments relating to the Small Business Assistance Program on behalf of the Innovation and Business Investment Corporation, according to program policies and procedures and with appropriate due diligence. Industry, Energy and Technology also monitored the overall activity of the program.
- Industry, Energy and Technology and Tourism, Culture, Arts and Recreation assessed and approved applications and made payments relating to the Tourism and Hospitality Support Program on behalf of the Innovation and Business Investment Corporation, according to program policies and procedures and with appropriate due diligence. Industry, Energy and Technology and Tourism, Culture, Arts and Recreation also monitored the overall activity of the program.
- The Innovation and Business Investment Corporation provided appropriate oversight of the Small Business Assistance Program.
- The Innovation and Business Investment Corporation provided appropriate oversight of the Tourism and Hospitality Support Program.

Scope & Approach

Our audit planning began in December 2021; the audit plan was finalized in May 2022. The audit period covered from June 1, 2018 to December 31, 2021. We conducted our audit using a risk-based approach based on our understanding of the responsibilities, systems, risk factors, and activities of the Corporation related to the effective management of its programs.

Audit procedures included a detailed inspection of documentation related to processes under each program, including examination of applications, assessments, approvals, payments, file closures, monitoring documentation, and related information system processes. Our procedures also included interviews and correspondence with the Departments of Industry, Energy and Technology, and Tourism, Culture, Arts and Recreation officials, and Board members, and review of other information, such as correspondence, reports, and minutes of meetings of the board, the Innovation and Business Investment Management Committee and the Department of Industry, Energy and Technology information notes. Sampling populations varied based on the nature of the audit criteria being tested and sample selections were non-statistical and judgmental.

Audit Standards

This independent assurance report was prepared by the Office of the Auditor General of Newfoundland and Labrador on the operation of programs of the Innovation and Business Investment Corporation and administration of the COVID-19 programs by the Department of Industry, Energy and Technology and the Department of Tourism, Culture, Arts and Recreation. Our responsibility was to independently audit these areas to provide objective information and recommendations. The senior management of the Department of Industry, Energy and Technology and the Department of Tourism, Culture, Arts and Recreation acknowledged their responsibility for the audit subject matter and the terms of the audit, including audit objective, scope, and approach.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada and under the authority of the Auditor General Act, 2021.

The Office applies the Canadian Standard on Quality Management 1. This standard requires our Office to design, implement, and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

Management Representation

The Deputy Ministers of the Departments of Industry, Energy and Technology and Tourism, Culture, Arts and Recreation confirmed that senior management had provided the Office of the Auditor General with all the information they were aware of that had been requested or that could significantly affect the findings or conclusions of the audit report on behalf of the departments and the Innovation and Business Investment Corporation.

Date Conclusion Reached

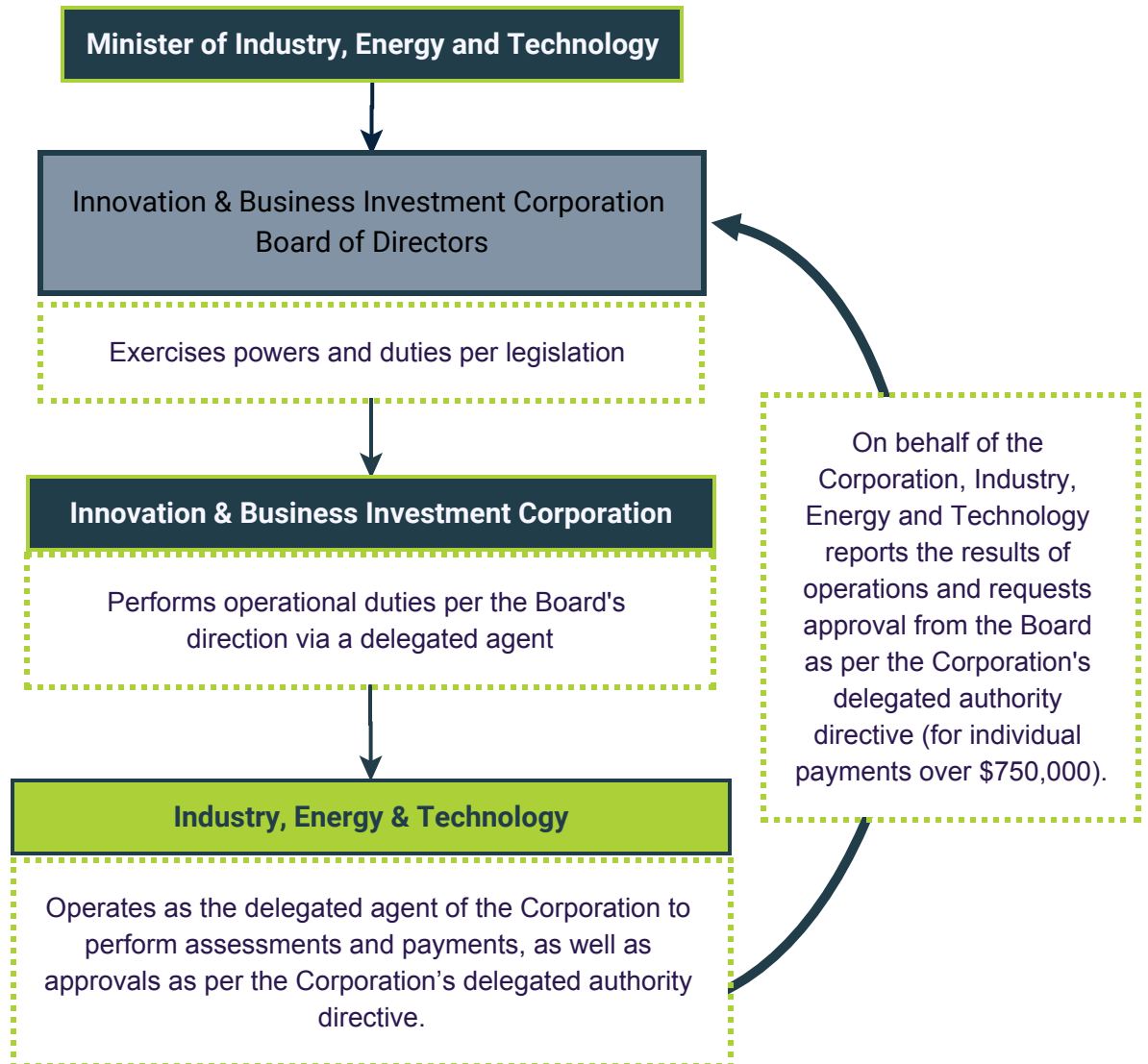
We obtained sufficient and appropriate audit evidence on which to base our conclusions on June 12, 2023, in St. John's, Newfoundland and Labrador.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

Appendix B - Program Details

The the relationship between the Corporation and the Department of Innovation, Energy and Technology:



Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and Industry, Energy, and Technology.

The Board has delegated authority to regional managers of Industry, Energy and Technology to render decisions on accounts in which the total funding outstanding does not exceed \$50,000. Select directors of the Department of Industry, Energy and Technology, as approved by the Board, have the authority to render decisions on accounts in which total funding is up to \$150,000. As a sub-committee of the board, the Business Investment Management Committee has the authority to render decisions on accounts that exceed the Directors' limit, up to \$750,000. Full Board approval is required on accounts in excess of \$750,000.

Industry, Energy and Technology provides administrative support to the Corporation as the Board does not employ its own staff. Departmental staff receive, evaluate, and - depending on the delegated authority outlined above - make decisions under all programs administered by the Corporation. Departmental staff also manage and monitor revenue forecasts and collections as well as maintain accounting records for the province-wide portfolio of loans, equity and grants.

The Board does not have a budget allocation. Funding for the Board's programs is provided through Industry, Energy and Technology's budget.

Grant Programs

The following table provides details on the Corporation's grant programs during the scope period of our audit:

- Business Development Support Program;
- Research and Innovation Fund for Non-Commercial Projects; and,
- Commercial Research and Development Projects.

	Business Development Support Program	Research and Innovation Fund for Non-Commercial Projects	Commercial Research and Development Projects
Purpose	Assists small and medium-sized businesses with financial support to increase productivity and improve competitiveness.	Supports non-commercial entities financially with developing and implementing research and development projects.	Provides financial support for projects or initiatives, to help businesses start, innovate, scale and grow their sales locally, nationally and internationally.
Annual Budget (2019)	\$3,000,000	\$6,737,500	\$7,012,500
Grant limit*	50% of total eligible costs of a specific project to a maximum of \$100,000 annually.	50% of total eligible costs of a specific project to a maximum of \$750,000.	50% of total eligible costs of a specific project with no dollar limit maximum.
Project period to obtain funds	Maximum of 2 years	Typically up to 5 years	Typically 1.5 to 2 years

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and Industry, Energy, and Technology.

* The Board of the Innovation and Business Investment Corporation can approve grants that exceed these program funding limits.

Business Investment Program

The following table provides details on the Corporation's loan and investment program during the period of our audit.

Purpose	Provides term loans and equity investments to small and medium-sized enterprises in strategic growth sectors identified by the department.
Eligibility	Small and medium-sized enterprises with less than 100 employees and less than \$10 million in sales.
Funding Limits	No funding limits.
Annual Budget	\$500,000

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and Industry, Energy, and Technology.

Appendix C - COVID-19 Programs

In May 2020, the Tourism and Hospitality Support Program was approved by government for the Department of Tourism, Culture, Industry and Innovation, which decided to operate the program through the Innovation and Business Investment Corporation. In August 2020, staff who supported the Corporation's operations were transferred to the Department of Industry, Energy and Technology, which continued to operate the Tourism and Hospitality Support Program through the Corporation and in cooperation with the Department of Tourism, Culture, Arts and Recreation. The Small Business Assistance Program was approved by government for the Department of Industry, Energy and Technology, which operated the program through the Corporation as well.

The following table provides policy details on the Tourism and Hospitality Support Program during the period of our audit.

Tourism and Hospitality Support – Grant Program

Program Details	Phase 1	Phase 2
Program Start Date	June 8, 2020	July 13, 2021
Program End Date	March 11, 2021	October 14, 2021
Total Funding Available	\$25 million	\$30 million
Total Funding Granted	\$9.6 million (38%)	\$8.1 million (27%)
Estimated Applications Expected	2,700	2,700
Applications Received	1,501	831
Applications Approved	1,230	726
Grant Criteria Thresholds		
2019 gross sales amount greater or equal to \$100,000	\$10,000	
2019 gross sales amount less than \$100,000 (but more than \$10,000)	\$5,000	
2019 annual sales less than \$10,000	50% of 2019 total sales	
New start-ups with less than \$10,000 in expenses	50% of expenses	
5% of the total loss of sales in 2020 over 2019 amounts (\$2,500 or more)		\$50,000 Maximum
5% of the total loss of sales in 2020 over 2019 amounts (less than \$2,500)		\$2,500 Minimum

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and the Department of Industry, Energy, and Technology.

Small Business Assistance – Grant Program

Program Details	
Program start date	October 22, 2020
Program end date	March 11, 2021
Total funding available	\$30 million (small business, \$25 million; community organizations, \$5 million)
Total Funding Granted (Small Businesses)	\$19 million (76%)
Total Funding Granted (Community Organizations)	\$2.7 million (54%)
Estimated applications expected	7,300
Applications received	4,554
Applications approved	4,078
Small Businesses – Grant Criteria Thresholds	
Employees – 51 to 99	\$10,000
Employees – 21 to 50	\$7,500
Employees – 1 to 20	\$5,000
2019 Annual Sales - Less than \$10,000	50% of sales
New Start-ups with Less than \$10,000 in Expenses	50% of expenses
Community Organizations Grant Criteria Thresholds	
Non-government revenue in 2019 - greater than \$100,000	\$10,000
Non-government revenue in 2019 - less than \$100,000	\$5,000
Non-government revenue in 2019 - less than \$10,000	50% of 2019 non-government revenue

Source: Prepared by the Office of the Auditor General based on information from the Innovation and Business Investment Corporation and Industry, Energy, and Technology.

About Us

Vision

Promoting positive change and accountability in the public sector through impactful audits.

Mission

To promote accountability in government's management and use of public resources and encourage positive change in its delivery of programs and services.

Values

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do; critical to our success. The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports. The Office of the Auditor General's independence of government, in fact, and in appearance, provides objective conclusions, opinions and recommendations on the operations of government and crown agencies. Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

Audit Team

The Auditor General wishes to thank the diligent audit team who performed their work with independence, credibility and integrity:

Sandra Russell, CPA, CA – Deputy Auditor General
Trena Keats, CPA, CA – Assistant Auditor General
Adam Martin, CPA, CA – Audit Principal
Andrew Way, CPA – Audit Principal
Peter Ineh, CA, CISA – Audit Manager
Jillian Kennedy, CPA, CGA – Audit Manager
Sharf Chowdhury – Senior Auditor
Pauline Reynolds, CPA, CMA – Auditor
Erica O'Brien – Auditor
Jennifer Tuttle, CPA, CGA – Engagement Quality Reviewer

The Auditor General also would like to thank Chrysta Collins for report editing and design as well as stakeholder management.

Independence. Credibility. Integrity.

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