

Audit of the COVID-19 Allocation of Resources for Employees (CARE) Programme

***Review of the Information Systems Infrastructure Governing
the CARE Programme with specific emphasis on the
SET Cash, Compassionate, Small Business & PATH Grants Components***

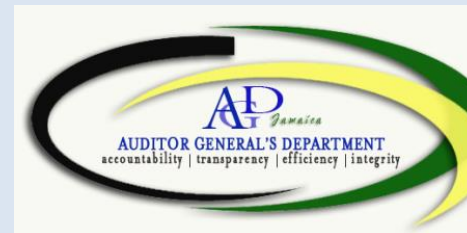


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The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial and Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.



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FOREWARD

This represents the second in a series of reports on the results of the audit of the *COVID-19 Allocation of Resources for Employees (CARE) Programme*.

This phase of the audit sought to determine if there was compliance with the eligibility, processing and disbursement guidelines pertaining to the *SET Cash* and *Small Business Grants* components as well as assess additional controls over the processing of *Compassionate Grants* to determine the effectiveness of the bank validation controls, and the reliability of the batching, approval and disbursement processes. I also undertook an assessment of the risks associated with the payment of the COVID-19 PATH Grant to determine whether reliance can be placed on the systems and processes used in administering the Grant under this component of the *CARE Programme*.

I am satisfied that there was compliance with the eligibility rules relating to the *Small Business Grants* component, and that the controls over the bank validation, batching, approval and disbursement processes relating to the *Compassionate Grant*, *SET Cash* and *Small Business Grants* were reliable and operated effectively. Though the *SET Cash* eligibility controls operated as designed, the efficiency of the eligibility determination process has been impacted by anomalies associated with the P45s submitted by employers in relation to their payroll tax returns. The review of the COVID-19 PATH Grant payments revealed that approximately nine per cent of the additional beneficiaries on the May 2020 payments list were previously terminated and should not have been included on the list. The Ministry of Labour and Social Security indicated that a review is being undertaken with a view to strengthening the relevant controls to prevent a recurrence. I intend to undertake a further review of the *PATH Programme* in keeping with the AuGD's Strategic Audit Plan.

I wish to thank my staff and the management of eGov Jamaica, Tax Administration Jamaica, the Ministry of Finance and the Public Service and the Ministry of Labour and Social Security for their responsiveness and courtesies extended to me and my staff.



Pamela Monroe Ellis, FCCA, FCA
Auditor General

KEY FINDINGS

Ineligible Compassionate Grant & SET CASH Applicants

1. In response to our previous audit report, eGov Jamaica Limited (eGovJa) and Tax Administration Jamaica (TAJ) conducted additional eligibility tests, which resulted in **1,442 Compassionate Grant applicants being classified as ineligible** primarily because their names appeared on either a monthly or annual return that was submitted late to TAJ. eGovJa indicated that further analysis will be required because approximately 61% or 886 of the 1,442 affected applicants are likely to be pensioners who are being paid from their former employer's payroll resulting in them appearing on a monthly return. Pensioners are eligible as per the policy of the *CARE Programme*, however, these applicants were flagged as ineligible in the system because they appeared on a recent monthly payroll return.
2. **Fifty-six SET Cash grant applicants were ineligible** because of anomalies associated with the P45s in relation to the payroll tax returns, including multiple and or amended P45s, submitted by employers. Eleven of these applicants were already paid *SET Cash* grants for April 2020.
3. We identified 1,813 applicants who only appeared on a March 2020 payroll tax return (the qualifying month) and was terminated the same month. These cases were forwarded to TAJ for further investigation.

Additional PATH beneficiaries for May 2020

4. We found that only 3,145 or 35 percent of the 8,933 additional beneficiaries on the May 2020 payments list had a "registered " status indicating that they had met all criteria for the PATH Programme and had submitted the required documents and signed the requisite agreement. The Ministry of Labour and Social Security (MLSS) reported that 776 terminated individuals were "*inadvertently included in the May 2020 payment...due to a glitch in the Beneficiary Management Information System (BMIS)*" while the remaining beneficiaries relate to new applicants who had not yet signed the requisite agreement letter and applicants who successfully completed the reapplication process but also did not re-sign an agreement letter. MLSS indicated that "*the requirement to sign the Agreement Letter was relaxed owing to social distancing, reduced office hours and other measures implemented by the Government in response to the COVID-19 pandemic*".

Recommendations

1. eGovJa and the Ministry of Finance should take the necessary steps to ensure that the *SET Cash* payments to the eleven ineligible applicants are discontinued and the amounts previously paid recovered.

2. MLSS should take the necessary steps to ensure that only legitimate beneficiaries who have satisfied all the requisite criteria are paid the COVID-19 PATH Grants.

PART ONE: INTRODUCTION

Background

- 1.1. The *COVID-19 Allocation of Resources for Employees (CARE) Programme* is a temporary cash transfer programme to individuals and businesses to cushion the economic impact of the COVID-19 pandemic. The systems to deliver a targeted intervention of this scale have been built from scratch by a multidisciplinary team from the Ministry of Finance and the Public Service (MoFPS), the Accountant General's Department (AGD), Tax Administration Jamaica (TAJ) and eGov Jamaica Limited (eGovJa). As much as is possible, applications to the *CARE Programme* will be electronic through the <https://wecare.gov.jm/> website.
- 1.2. The *CARE Programme* is broad in scope with benefits for a wide range of individuals and businesses who are likely to be affected. The *CARE Programme* is comprised of the following nine components.
1. SET Cash - Supporting Employees with Transfer of Cash
 2. BEST Cash - Business Employee Support & Transfer of Cash
 3. COVID-19 General Grants
 4. COVID-19 Compassionate Grants
 5. COVID-19 Path Grants
 6. COVID-19 Small Business Grants
 7. COVID-19 Tourism Grants
 8. COVID-19 Student Loan Relief
 9. Other COVID-19 Support Programmes (Funding allocation for the Constituency Development Fund-CDF, small farmers through the Ministry of Industry, Commerce, Agriculture and Fisheries and for the Poor Relief Fund.)
- 1.3. Applications for and the management of the BEST Cash, SET Cash, General Grant, Small Business Grant and Compassionate Grant elements of the programme are managed through a custom-built GOJ portal, www.wecare.gov.jm.

Objective of the Information Systems Review

- 1.4. The general objective of the *Information Systems Review* is to assess the risks associated with the *CARE Programme*, evaluate the control framework and determine whether reliance can be placed on the systems and processes used in administering the programme, in particular, the *Compassionate Grants*, *SET Cash*, *Small Business Grants* and the COVID-19 PATH Grant components to provide reasonable assurance that only qualified and legitimate applicants benefit under these components.

Management's Responsibilities

- 1.5. Management is responsible for designing, implementing and maintaining internal controls relevant to the activities of the *CARE Programme* to ensure that errors and irregularities, including fraud are prevented or detected. It is the responsibility of management to ensure that the internal controls are designed and managed in accordance with the requirements of the *CARE Programme*, the Financial Administration and Audit Act and other government regulations and best practices.
- 1.6. Management is responsible for providing us with:
- I. Access to all information of which management is aware that is relevant to the *CARE Programme*;
 - II. Additional information that may be requested from management for the purpose of the audit; and
 - III. Unrestricted access to all relevant systems and persons from whom we determine it necessary to obtain audit evidence.

Auditor's Responsibilities

- 1.7. The *Information Systems Review* was conducted in accordance with auditing standards issued by the International Organisation of Supreme Audit Institutions. Those standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that reliance may be placed on the internal controls over the *CARE Programme* and that the transactions were executed in accordance with the relevant guidelines.

Audit Scope

- 1.8. The *Information Systems Review* included a review of the key information technology systems used in the *CARE Programme* (*CARES Portal System and the Revenue Administration Information System-RAiS*), the *PATH Programme*, related documents, interviews with management and staff, key stakeholders, and analysis of information provided by eGov Jamaica, Tax Administration Jamaica, Ministry of Finance, Accountant General's Department and the Ministry of Labour and Social Security.
- 1.9. The procedures selected was based on the auditor's judgement, including the assessment of the risks of fraud or error. Because of the test nature and other inherent limitations of an audit, and any accounting, information technology and internal control system, there is an unavoidable risk that some errors may remain undiscovered. In conducting risk assessments, I considered internal controls relevant to the *CARE Programme*, in order to design audit procedures and obtain sufficient appropriate evidence to support my conclusion.

PART TWO: Grants Processed through WECARE.GOV.JM

Compassionate Grant, SET Cash & Small Business Grant Overview¹

2.1. The **COVID-19 Compassionate Grant** is available to anyone in need who completes the required application form, is not formally employed, has not received, and does not intend to apply for any other cash benefit under the *CARE Programme*, with the exception of the *COVID-19 PATH Grant*. To be eligible for a *COVID-19 Compassionate Grant* an individual must possess a valid TRN and must not be on a *PAYE Return* (SO2-Annual Return² or SO1-Monthly Return³) indicating that they are employed. Applications for the *Compassionate Grant* were open from April 9, 2020 to April 16, 2020.



\$10,000 one-time payment

2.2. The **Supporting Employees with Transfer of Cash (SET Cash) Programme** will provide temporary cash transfers to individuals where it can be verified that they lost their employment on or after March 10, 2020. Applicants will qualify for a *SET Cash* grant if they were employed prior to March 10, 2020 and statutory deductions were paid on their behalf; were laid off or terminated after March 10, 2020 and before June 30, 2020. Evidence of this will be required in the form of a P45 form uploaded by their employer with the names and taxable incomes of all persons temporarily laid off or terminated; had taxable income less than or equal to \$1.5 million per annum as verified by the RAIS Tax Administration System.



\$9,000 per fortnight (paid monthly)

2.3. All small businesses with sales of \$50 million or less, who filed taxes in the 2019/20 financial year, and who filed payroll returns indicating that they have employees, will be eligible for a **one-time COVID-19 Small Business Grant of \$100,000**. A business will qualify for a Small Business Grant if the business had average sales less than or equal to

¹ <https://www.wecare.gov.jm/>

² Annual Return is completed by every employer to make a return of the pay and statutory deductions of every person who was in their employment (whether full-time, part-time or temporary) for the stated year.

³ Employer's monthly statutory remittance (payroll deductions) is completed by all employers who are required to deduct and pay over statutory contributions and taxes on behalf of their employees.

\$50 million per annum for the 3-year period 2017-2019; must be a registered business which has filed tax returns for year of assessment 2019 financial year; filed payroll taxes which indicate that it has employees and this is verifiable in the form of the revised S01 form via the RAiS Tax Administration System.

Eligibility Determination

Compassionate Grant

- 2.4. The *CARE Programme* has an inherent risk that an employed person may benefit under the *Compassionate Grant* component, where an employer fails to submit monthly and annual returns to TAJ within the stipulated periods. The late submission of monthly and annual returns to TAJ may result in the MoFPS distributing *Compassionate Grants* to individuals who are currently employed. In our previous report, we indicated that 394 of the applicants reflected as eligible for a *Compassionate Grant* in the *CARES Portal System* were ineligible based on the qualifying criteria. Subsequently, eGovJa re-executed the eligibility test resulting in 352 applicants being classified as ineligible, 38 pending (awaiting further eligibility checks), and four cancelled.



Additional eligibility tests conducted by eGovJa and TAJ resulted in a total of 1,442 applicants being classified as ineligible due primarily to their names appearing on either a monthly or annual return submitted to TAJ. eGovJa indicated that further analysis will be required because approximately 61% or 886 of the 1,442 affected applicants are likely to be pensioners who are being paid from their former employer's payroll resulting in them appearing on a S01 monthly return.

- 2.5. We also noted that the eligibility status of 400 applications was revised to pending, while 205 individuals cancelled their applications for the *Compassionate Grant*. eGovJa indicated that applicants who were previously held in a pending state because they appeared on an annual return for 2019, indicating that they were employed in 2019, but did not appear on the S01 monthly return for March or April 2020 because they were no longer employed, were not ruled eligible until May 13, 2020.

SET Cash Grant

- 2.6. We compared the *SET Cash* grant applications in the *CARES Portal System* with the P45s and payroll tax returns in RAiS to confirm the eligibility status of each applicant based on the *CARE Programme's* eligibility requirements. This revealed that 56 *SET Cash* grant applicants who were previously classified as eligible are in fact ineligible because of

anomalies associated with the P45s in relation to the payroll tax returns, including multiple and or amended P45s, submitted by employers. Eleven of these applicants were paid *SET Cash* grants for April 2020.

- 2.7. We found that 5,534 applicants whose P45s were submitted in March 2020 indicating that they were terminated also appeared on a payroll tax return for April 2020 suggesting that they were employed. These cases were forwarded to TAJ for further investigations. TAJ subsequently advised eGovJa to place a hold on 259 of the 5,534 applicants pending a further review of their status.



We also identified 1,813 applicants who only appeared on a March 2020 payroll tax return (the qualifying month) and was terminated the same month. These cases were also forwarded to TAJ for further investigation.

Small Business Grant

- 2.8. We compared the *Small Business Grant* applications in the *CARES Portal System* with the Income Tax and Payroll Tax returns in *RAiS* to confirm the eligibility status of each applicant based on the *CARE Programme's* eligibility requirements. We found that the applicants that were deemed eligible met the eligibility requirements of filing income tax returns for 2019; average sales for 2017 to 2019 below \$50 million, and also had employees.

Bank Account Validation

- 2.9. All eligible applicants' banking information should be validated with the respective commercial bank before transfer to the Accountant General's Department for payment. We reviewed the bank validation process to determine whether each eligible applicant's banking information was verified prior to being batched for payment.
- 2.10. Our review revealed that the banking information (account holder's name and account number) of all eligible *Compassionate Grant*, *SET Cash* and *Small Business Grant*

applicants who were batched for payment had been validated with the respective commercial bank.

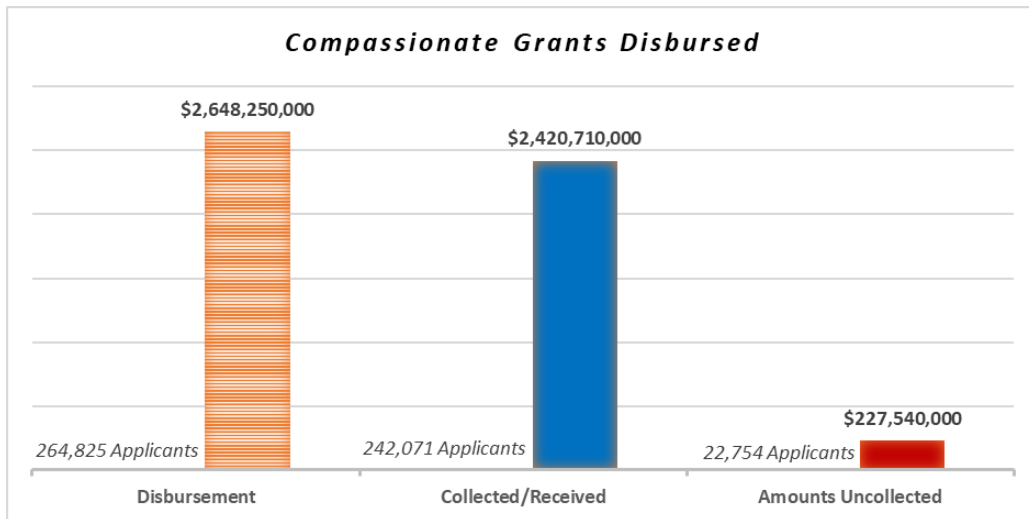
Batching, Approval and Disbursement

2.11. We reviewed the batching process to verify that only eligible applicants with valid banking information or who selected a remittance agency or other approved financial institution were actually batched for payment. Tests were also conducted to verify that only batched payments were approved and disbursed.

Compassionate Grant

2.12. As at May 5, 2020, a total of 264,825 eligible applications were batched for payment having met the eligibility and banking validation requirements under the *CARE Programme*. Our analysis revealed that all payments were approved by the MoFPS and transferred to the Accountant General's Department (AGD) for payment. As at June 5, 2020, the AGD's records indicated that all 264,825 applicants were paid (i.e. funds sent to a remittance agency or bank account).

2.13. However, an analysis of the most recent reports submitted by the remittance agencies, revealed that *Compassionate Grants* relating to 22,754 applicants totalling \$227,540,000 remained uncollected as at May 26, 2020. Where the amounts remain uncollected after June 30, 2020, the remittance agencies are contractually required to return the sums to the Ministry of Finance and the Public Service.



SET Cash Grant

2.14. As at June 5, 2020, a total of 17,214 eligible *SET Cash* applications were batched and transferred for payment having met the eligibility and banking validation requirements under the *CARE Programme*. Our analysis revealed that all payments were approved by the MoFPS and transferred to the AGD for payment. As at June 5, 2020, the AGD's records indicated that 17,013 applicants were paid and the remaining 201 were being processed for payment.



Small Business Grant

2.15. As at June 1, 2020, a total of 580 eligible *Small Business* grant applications were batched and transferred for payment having met the eligibility and banking validation requirements under the *CARE Programme*. Our analysis revealed that all payments were approved by the Ministry of Finance and transferred to the Accountant General's Department (AGD) for payment. As at June 1, 2020, the AGD's records indicated that 579 applicants were paid and one was being processed for payment.



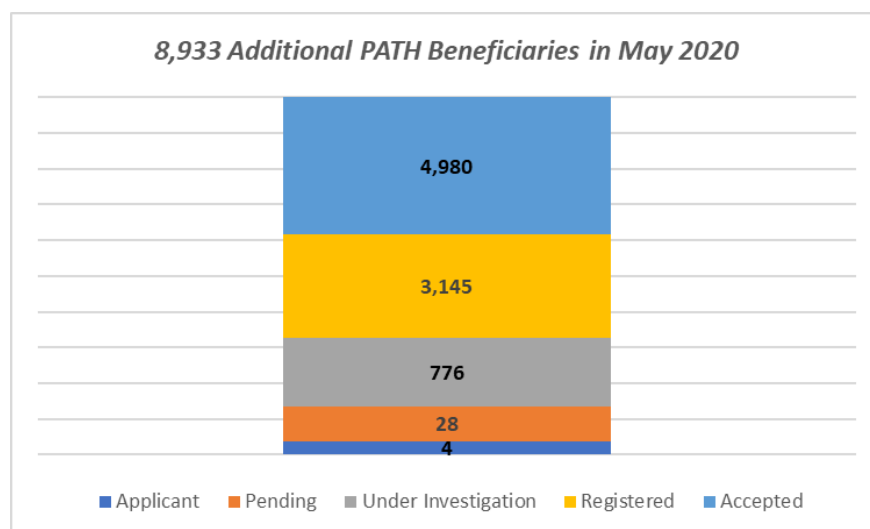
PART THREE: COVID-19 PATH Grants

Background

- 3.1. Persons enrolled in the *Programme of Advancement Through Health and Education* (PATH) were scheduled to receive two equal payments in the period April to June 2020. However, the COVID-19 PATH Grant will add another payment of equal size, increasing the total number of payments in the April to June 2020 period to three. The Ministry of Labour and Social Security (MLSS) administers the PATH programme. MLSS utilizes a Beneficiary Management Information System (BMIS) to maintain and manage the PATH beneficiaries. Applications for the PATH programme are entered on the BMIS at the thirteen parish offices island wide.
- 3.2. We conducted a review of the payment of the COVID-19 PATH Grant to determine whether only qualified and legitimate PATH beneficiaries benefited under this component.

Additional PATH beneficiaries for May 2020

- 3.3. We found that an additional 8,933 beneficiaries were added to the May 2020 payroll resulting in an increase of \$58,770,400 in approved benefits over April 2020. Our review of the beneficiary information in the BMIS revealed that only 3,145 or 35 percent of the 8,933 additional beneficiaries had a “registered “ status indicating that they had met all criteria for the PATH Programme and had submitted the required documents and signed the requisite agreement.



Source: Beneficiary Management Information System

Pending: Documents outstanding.

Accepted: Enrolment complete and entered on BMIS; awaiting training and signing of Agreement.

Applicant: All required documents have been submitted. Individuals with an “Applicant” status will be marked as “Accepted” if they fall within the PATH quota, otherwise they will be marked as “Waitlisted”.

- 3.4.** In response to our audit finding, MLSS placed a hold on the payment for the 8,933 beneficiaries and conducted a review to determine the actual eligibility status of each of the additional persons. The Ministry subsequently reported that 776 terminated individuals were “inadvertently included in the May 2020 payment...due to a glitch in the Beneficiary Management Information System (BMIS)”. A total amount of \$5,413,100 was approved for payment, in May 2020, in relation to the 776.
- 3.5.** MLSS also acknowledged that 4,354 new beneficiaries did not sign the Agreement Letter as required by the PATH Operations Manual, but they satisfied the other requirements of the programme for eligibility. The Ministry indicated that for the May 2020 payment, *“the requirement to sign the Agreement Letter was relaxed owing to social distancing, reduced office hours and other measures implemented by the Government in response to the COVID-19 pandemic”*. The Ministry further advised that arrangements are currently being made for the beneficiaries to sign the Agreement Letter.
- 3.6.** The Ministry also indicated that 660 of the beneficiaries added in May 2020 relate to applicants who successfully completed the reapplication process but did not re-sign an Agreement Letter.
- 3.7.** In light of the discrepancy with the 776 individuals who were inadvertently included in the May 2020 payment list, the Ministry should review its systems to ensure that the controls in place to enforce the eligibility requirements for PATH beneficiaries are operating effectively to reduce the risk of irregular or erroneous payments. MLSS should take the necessary steps to ensure that only legitimate beneficiaries who have satisfied all the requisite criteria are paid the COVID-19 PATH Grants.

PART FOUR: General and Application Controls

Business Continuity & Disaster Recovery

- 4.1.** As part of the *CARES Portal System's* business continuity and disaster recovery procedures, an incremental backup is performed Mondays through to Thursdays and a full backup is executed on Fridays. Our review revealed that the backups were taken in accordance with the schedule, however, there was no evidence of testing to determine the completeness of the data. Additionally, eGovJa did not perform any simulated restoration exercise to satisfy itself that the system can be successfully recovered within a reasonable time in the event of a disaster. The business continuity and disaster recovery procedures for the *CARES Portal System* did not include provisions for the testing and recovery of backup data. Where there are unplanned disruptions that may require system restoration and the backup files are incomplete, there may be delays in the processing and batching of applications resulting in an increase in the waiting time for the payment of grants to respective beneficiaries.
- 4.2.** Subsequent to our review, eGovJa indicated that steps will be taken to schedule a test restoration and conduct periodic test restorations going forward.

Network Security

- 4.3.** We conducted a review of the *CARES Portal System's* network security to determine whether the system actually restricted applications to Jamaican based Internet Protocol (IP) addresses. Our review revealed that the *CARES Portal System's* network security was configured to block IP addresses that originated outside of Jamaica in keeping with the system's requirements. We found that access to the *CARES Portal System* was only granted to Jamaican based Internet Protocol (IP) addresses.