

Management of the Emergency Assistance Program for Small and Medium-Sized Businesses by PME MTL

Background

Since March 2020, businesses have been exposed to numerous financial challenges due to the restrictive measures instituted by the Québec government in the context of the COVID-19 public health crisis, resulting in an exceptional and circumstantial economic situation. In order to support businesses with cash shortages due to the COVID-19 pandemic, the Ministère de l'Économie et de l'Innovation (MEI) set up the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME) and concluded a \$150 million loan with the Ville de Montréal (the City) to offer the PAUPME to Montréal-based businesses, including the Assistance for Businesses in Regions on Maximum Alert (AERAM) component. In turn, through its Fonds d'aide d'urgence (FAU), the City delegated the management of the PAUPME to PME MTL, a network of six independent non-profit organizations in place since 2016 to support Montréal businesses. The delegation to PME MTL does not relieve the City of its obligations to the MEI. Failure to comply with these conditions could result in the City being forced to repay all or part of the MEI's loan prior to the maturity of the loan in March 2030. As of September 30, 2021, the total loans granted amounted to \$117.6 million for a total of 3,453 files.

Purpose of the audit

To ensure that the Emergency Assistance Program for Small and Medium-Sized Businesses granted by the PME MTL network to beneficiaries is managed in accordance with the management frameworks established by the Ville de Montréal.

Results

The management of the PAUPME by the PME MTL network is not fully compliant with the management frameworks established by the City.

Of a sample of 81 files reviewed that received a loan, 19% did not meet at least one of the PAUPME's eligibility criteria. The assessment of the overall financial condition of the businesses receiving financial assistance was not sufficiently documented to support the decision to award loans in several of the files reviewed. Due to the use of loan agreements that do not comply with the requirements of the MEI and the City, as well as irregularities in the disbursement of financial assistance, PME MTL is in breach of its delegation agreements with the City.

On the one hand, the lack of follow-up on the aid disbursed does not contribute to PME MTL respecting its obligations towards the City as stipulated in the delegation agreements, nor to the beneficiaries' contractual obligations. On the other hand, the Service du développement économique (SDÉ) does not monitor the management of the PAUPME, which means that it cannot identify non-compliance with the commitments pursuant to the delegation agreements.

Finally, the information in the accountability report is often erroneous, including the information sent to the MEI, and is limited to the volume of activity, which does not allow the City's decision-makers to have an appropriate vision to ensure that the obligations towards the MEI regarding the management of the PAUPME—the City's responsibility—are respected.

Main Findings

Evaluation of Loan Applications

- At least one eligibility requirement is not met for 19% of the selected financial assistance files. This is due to insufficient evidence of a causal link between financial or operational problems and the COVID-19 pandemic.
- Documentary requirements are not met in 44% of the selected financial assistance files.
- Comments made in support of the loan authorization do not always indicate that an assessment of the business's overall financial situation was conducted for the selected files.
- Also, the amortization of the loan over a period of more than 36 months, allowed by the PAUPME on an exceptional basis, is not justified for 85% of the selected files.

Implementation

- Two of the three PME MTL centres audited did not respect their commitments to the City, since their loan agreements, which were nevertheless validated by the SDÉ, did not inform the business that it was being financed by the City and the MEI.
- The disbursement dates entered in the loan management system do not always correspond to the disbursements' effective dates. In the case of PAUPME loans, gaps ranging from a few days to more than two months were observed, which penalizes businesses in terms of interest charges due to capitalization of the loans after the first six months of moratorium.
- The financial assistance from the AERAM component was disbursed to businesses by PME MTL before the City adopted the addition of the AERAM component to the MEI-City loan agreement for 17% of the files observed.

Monitoring and Oversight

- There is no monitoring mechanisms to obtain financial statements from the businesses that benefited from the PAUPME, which is contrary to the delegation agreement with the City.
- The SDÉ does not adequately monitor compliance with the various obligations stipulated in the delegation agreement, which allows shortcomings to persist.

Accountability

- Incorrect and inconsistent information was found during the reporting of the cumulative claims to the status of the PAUPME.
- Accountability to the City's decision-makers is limited to the volume of activity and fund balance and not to compliance with the FAU's obligations as stipulated in the delegation agreement.

In addition to these results, we made various recommendations to the business units, which are presented in the following pages.

Please note that although several shortcomings were observed in the management of the program and the granting of loans by PME MTL, due to the uncertain future of this MEI program, a single recommendation was made to PME MTL. If a similar new program is implemented in the future, the Bureau du vérificateur général could audit PME MTL again in this regard.