



Audit Report



OIG-23-021

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Corvus Airlines, Inc.

March 27, 2023

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 27, 2023

**MEMORANDUM FOR JACOB LEIBENLUFT
CHIEF RECOVERY OFFICER**

FROM: Deborah L. Harker /s/
Assistant Inspector General for Audit

SUBJECT: Audit of Air Carrier Worker Support Certifications – Corvus Airlines, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications – Corvus Airlines, Inc.* (Corvus Airlines) (OIG-23-021; dated March 27, 2023).¹ Under a contract monitored by our office, Saggat & Rosenberg, P.C. (S&R), a certified independent public accounting firm, performed the audit. The objective of this audit was to assess the accuracy, completeness, and sufficiency of Corvus Airlines' sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by the Department of the Treasury (Treasury) for the Air Carrier Payroll Support Program (PSP1). The scope of this audit covered the time period from April 1, 2019 through September 30, 2019 and included the certified PSP1 Application, sworn financial statements, tax returns, and other documentation submitted to Treasury.

In its audit report, S&R found Corvus Airlines reported correct information for each of the sections reviewed on its PSP1 Application, and in its Permitted Withdrawal Certification reporting to Treasury in accordance with the Pledge Agreement.² Corvus Airlines incurred [REDACTED] of eligible compensation in accordance with the Pledge Agreement between August 2020 and May 2021, exceeding the amount awarded by Treasury by [REDACTED]. As such, Corvus Airlines did not over-request PSP1 financial assistance.

Our contract required that the audit be performed in accordance with generally accepted government auditing standards. In connection with the contract, we reviewed S&R's report and related documentation and inquired of its representatives.

¹ Corvus Airlines changed its legal name to Northern Pacific Airways, Inc. on November 16, 2021.

² The Awardable Amounts section was superseded by Corvus Airlines' Permitted Withdrawal Certification reporting requirements stemming from the company sale.

Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express an opinion on Corvus Airlines' compliance with Treasury's PSP1 policies and procedures. S&R is responsible for the attached auditor's report and the conclusions expressed therein. Our review found no instances in which S&R did not comply, in all material respects, with generally accepted government auditing standards.

We appreciate the courtesies and cooperation provided to S&R and our staff during the audit. If you have any questions or require further information, please contact me at (202) 486-1420, or a member of your staff may contact Lisa DeAngelis, Deputy Assistant Inspector General for Audit, at (202) 487-8371.

Attachment

cc: Jason Morrow, Attorney Advisor, Department of the Treasury
Victoria Collin, Chief Compliance and Finance Officer, Department of the Treasury
Jeff Davis, Partner, Saggar & Rosenberg, P.C.

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Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
Corvus Airlines	Corvus Airlines, Inc.
COVID-19	Coronavirus Disease 2019
DOT	Department of Transportation
GAO	Government Accountability Office
Guidelines	Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors
IRS	Internal Revenue Service
OIG	Treasury Office of Inspector General
PSP1	Payroll Support Program, CARES Act
PSP2	Payroll Support Program Extension, Consolidated Appropriations Act, 2021
PSP3	Payroll Support Program 3, American Rescue Plan Act of 2021
S&R	Saggar & Rosenberg, P.C
SOC	System and Organizational Controls
Treasury	Department of the Treasury

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March 27, 2023

Jacob Leibenluft
Chief Recovery Officer
Department of the Treasury

This report presents the results of our audit of Corvus Airlines Inc.'s (Corvus Airlines)³ certifications made to the Department of the Treasury (Treasury) as part of its participation in the Air Carrier Payroll Support Program (PSP1). This audit was mandated by Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).⁴ Under the CARES Act, Treasury was to provide \$32 billion in financial assistance to passenger air carriers, cargo air carriers, and certain contractors to be exclusively used for the continuation of payment of employee wages, salaries, and benefits, in response to the economic impact of the Coronavirus Disease 2019 (COVID-19).⁵ Furthermore, the Treasury Office of Inspector General (OIG) is required to audit certifications made by passenger and cargo air carriers that do not report salaries and benefits to the Department of Transportation (DOT) (hereinafter referred to as non-241 air carriers)⁶ and contractors.

Under a contract with OIG, Saggat & Rosenberg P.C. (S&R) conducted this audit. Our audit objective was to assess the accuracy, completeness, and sufficiency of Corvus Airlines' sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by Treasury, including additional compliance reporting

³ Corvus Airlines changed its legal name to Northern Pacific Airways, Inc. on November 16, 2021.

⁴ P.L. 116-136 (March 27, 2020).

⁵ The financial assistance provided under the CARES Act was split between passenger air carriers (\$25 billion), cargo air carriers (\$4 billion), and contractors (\$3 billion).

⁶ Passenger and cargo air carriers that are not required to report salaries and wages to DOT under 14 CFR, Part 241, "Uniform System of Accounts and Reports for Large Certificated Air Carriers".

requirements unique to Corvus Airlines under the PSP1⁷ that were outlined in the Pledge Agreement⁸ between Corvus Airlines and Treasury. The scope of the audit included Corvus Airlines' original ownership and new ownership, which received payment from Treasury. We reviewed documentation including, but not limited to, certified applications, sworn financial statements, tax returns, Permitted Withdrawal Certifications, and other documentation provided to Treasury from March 2020 through May 2021.

To accomplish the objective, we reviewed applicable laws and regulations; and Treasury's policies and procedures, including but not limited to, the Title IV, Subtitle B, *Air Carrier Worker Support* of the CARES Act, *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors* (Guidelines), PSP1 Agreement, and *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*. We interviewed key personnel from Corvus Airlines, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from September 2021 through February 2022. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that Corvus Airlines, a passenger air carrier, reported correct information for each of the sections reviewed on its PSP1 Application,⁹ and in its Permitted Withdrawal Certification

⁷ Corvus Airlines filed for Chapter 11 bankruptcy on April 5, 2020, two days after the submission of the PSP1 Application and was later purchased by new ownership via stock acquisition and continued operations under the same company name. New ownership from Corvus Airlines was required to deliver a signed certification form called a "Permitted Withdrawal" to Treasury to withdraw funds for the purpose of continuing the payment of Wages, Salaries, and Benefits to employees in accordance with the Pledge Agreement between Corvus Airlines and Treasury.

⁸ Treasury formally agreed to terms with Corvus Airlines' new ownership on October 16, 2020, in the form of a "Pledge Agreement" to further protect Treasury's financial interests in use of PSP1 program funds.

⁹ The PSP1 Application is comprised of eight sections. Four sections - Financial Institution Information, Employment Levels, Taxpayer Protection, and Additional Information, were not subject to audit procedures. Details regarding the sections not reviewed can be found in appendix 1.

reporting to Treasury in accordance with the Pledge Agreement.¹⁰ These PSP1 Application sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. We also found that Corvus Airlines incurred [REDACTED] of eligible compensation in accordance with the Pledge Agreement between August 2020 and May 2021, exceeding the amount awarded by Treasury by [REDACTED]. As such, Corvus Airlines did not over-request PSP1 financial assistance.

As part of our reporting process, we provided Corvus Airlines management an opportunity to comment on a draft of this report. Corvus Airlines management stated that it agreed with the audit results and expressed gratitude for the PSP program and to Treasury for administering it. The company noted that the program and Treasury's efforts kept hundreds of air carrier workers employed and allowed the company to continue providing air service to the remote towns of Alaska. Corvus Airlines management's response, in its entirety, is included as appendix 2 of this report.

In an oral response, Treasury management stated the draft report describes work performed by OIG's contractor to determine whether the requested awardable amounts complied with Treasury's program requirements. The draft report notes the extensive fieldwork conducted for this review between September 2021 and February 2022, including interviewing Corvus Airlines' management and reviewing a wide range of the company's financial records and corporate documents. In relation to Corvus Airlines, Treasury management noted that OIG's contractor found no amounts were overpaid. Treasury management appreciates the OIG's work on this engagement and looks forward to working with the OIG to protect the integrity of the PSP and CARES Act programs.

Background

Title IV, Subtitle B, of the CARES Act, *Air Carrier Worker Support*, requires Treasury to provide financial assistance to air carriers and

¹⁰ The Awardable Amounts section was superseded by Corvus Airlines' Permitted Withdrawal Certification reporting requirements stemming from the company sale.

contractors that must exclusively be used for the continuation of payments of employees' wages, salaries, and benefits. Financial assistance is to be provided to:

- (1) passenger air carriers, in an aggregate amount up to \$25 billion;
- (2) cargo air carriers, in an aggregate amount up to \$4 billion; and
- (3) contractors, in an aggregate amount up to \$3 billion.

According to the CARES Act, Treasury is required to provide financial assistance to air carriers that report salaries and benefits to the DOT (referred to as 241 carriers),¹¹ in an amount equal to the salaries and benefits reported to DOT for the period April 1, 2019 through September 30, 2019. For air carriers that do not report such data to DOT (referred to as non-241 carriers), and contractors financial assistance is required to be in an amount that the air carrier or contractor certifies using sworn financial statements or other appropriate data as the amount of wages, salaries, benefits, and other compensation paid to employees during the period of April 1, 2019 through September 30, 2019. The amounts submitted on the application to Treasury were considered sworn financial statements. To be eligible for payments, air carriers and contractors must enter into agreements with Treasury certifying that they meet certain required assurances, terms, and conditions.

On March 30, 2020, Treasury posted on its website the Guidelines, which included the PSP1 Application. The PSP1 Application is comprised of eight sections:

1. Applicant Information — (1) applicant name; (2) taxpayer identification number and address; and (3) contact person's name, title, phone number, and email address.

¹¹ 14 CFR, Part 241 "Uniform System of Accounts and Reports for Large Certificated Air Carriers" defines "Air carrier, large certificated" as an air carrier holding a certificate issued under 49 U.S.C 41102, as amended, that: (1) operates aircraft designed to have a maximum passenger capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to DOT. Corvus Airlines is not a Large Certificated Air Carrier.

-
2. Applicant Type — selection of applicant type whether it is passenger air carrier, cargo air carrier, or contractor. Additionally, if the applicant is a contractor, this section would identify the contractor’s service functions and the name of the air carrier or airport to which services are provided. Finally, this section includes affiliate and parent company information.
 3. Financial Institution Information — (1) the applicant’s account number and routing number; and (2) the financial institution’s name, address, and telephone number.
 4. Employment Levels — applicant’s average number of employees for 2019 and involuntary reductions after March 1, 2020.
 5. Awardable Amounts — applicant’s sworn financial statement consisting of salaries, wages, benefits, and other compensation for the period April 1, 2019 through September 30, 2019.
 6. Taxpayer Protection — a table that outlines in detail the proposed financial instrument to be issued to Treasury.
 7. Additional Information — the applicant’s verification of submitting its Internal Revenue Service (IRS) Form 941 – *Employer’s Quarterly Federal Tax Return*¹² covering the period April 1, 2019 through September 30, 2019 along with the PSP1 Application submitted to Treasury.
 8. Certification — names, titles, and signatures of two certifying officials¹³ and the applicant name and application submission date.

On April 18, 2020, Treasury published a sample PSP1 Agreement on its website, which provided definitions, terms, and conditions for participation in PSP1, and required applicants to submit completed applications by April 27, 2020. After Treasury reviewed and approved an application, both parties were required to sign the PSP1 Agreement.

¹² IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employee paychecks.

¹³ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

Treasury Disbursement Processes

In an effort to disburse PSP1 payments to passenger air carrier applicants as quickly as possible and prior to the application deadline of April 27, 2020, Treasury applied an initial estimated pro rata rate of 76 percent to the awardable amount because not all applications had been submitted at the time. After the application deadline, Treasury determined the total amount requested by all passenger air carrier applicants was approximately \$31.8 billion, which exceeded the \$25 billion available financial assistance. Because its initial estimated pro rata rate was low, Treasury calculated an additional 2.2 percent, the top-off amount, for passenger air carriers making the final pro rata rate 78.2 percent. Treasury disbursed an initial lump sum payment of one-third of the awardable amount, followed by four equal subsequent payments to ensure it provided sufficient and timely financial assistance corresponding to the applicants' payroll schedule. In instances where Treasury needed to perform additional follow-up with passenger air carriers or needed additional time to approve applications, Treasury compressed the payment schedule on a case by case basis. Generally, Treasury disbursed the top-off amounts for passenger air carriers in September 2020. Treasury officials told us that if recoupment was necessary for an applicant's inclusion of unallowable expenses such as corporate officer compensation and employer-side payroll taxes in the application, the recoupment method was dependent on timing. If the need for recoupment was known prior to the top-off distribution then the recoupment was offset from the top-off payment. For recoupment amounts not known until after the top-off payment, Treasury has not made a decision how those funds will be collected and whether those funds will be reallocated at a later date.

PSP1 Interim Audit Report

In a prior audit report,¹⁴ OIG identified two recurring issues affecting the payment amounts administered to all PSP1 recipients for non-241 air carriers and contractors. Specifically, employer-side payroll taxes and corporate officer compensation were included in the awardable amounts for some recipients. Treasury management

¹⁴ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

acknowledged that the recipients audited included unallowable employer-side payroll taxes or corporate officer compensation in their calculation of the “awardable amount” on their PSP1 applications and agreed to (1) review payments issued under PSP1 to ensure awarded amounts are allowable per the CARES Act and Treasury guidance; and (2) remedy the incorrect amounts awarded under PSP1.

Corvus Airlines, Inc.

Headquartered in Anchorage, Alaska, Corvus Airlines is a passenger air carrier that offers private charter services.

Corvus Airlines submitted the PSP1 Application¹⁵ totaling ██████████ on April 3, 2020, and filed for bankruptcy on April 5, 2020. Corvus Airlines notified Treasury on May 10, 2020, of its proposed reorganization plans pending before the United States District Court in Delaware, which included marketing the company to investors that were interested in restarting operations suspended when Corvus Airlines filed for Chapter 11 bankruptcy protection. Corvus Airlines initially entered into a PSP1 Agreement with Treasury on July 22, 2020, and a Bankruptcy Addendum to the PSP1 Agreement on July 28, 2020, which modified the original agreement and stipulated additional terms and conditions.

Prior to the distribution of PSP1 funds, Corvus Airlines was purchased by new ownership via stock acquisition and continued operations under the same name.¹⁶ Under new ownership, Corvus Airlines certified continued compliance in connection with the terms and conditions of the original PSP1 Agreement and Bankruptcy Addendum. Treasury formally agreed to terms with Corvus Airlines’ new ownership on October 16, 2020, in the form of a “Pledge Agreement” to further protect Treasury’s financial interests in use of PSP1 funds. The Pledge Agreement required Corvus Airlines to establish a deposit account, referred to as a “Pledged Account”, segregated from other company bank accounts where Treasury deposited \$10,297,313 provided under the PSP1 Agreement attributable to Corvus Airlines only, not its prior

¹⁵ Corvus Airlines’ PSP1 Application included financial assistance requests for its affiliates.

¹⁶ Corvus Airlines affiliates were not part of the stock acquisition.

affiliates. Corvus Airlines properly established the Pledged Account in accordance with the Pledge Agreement.

Withdrawals from the Pledged Account were made by Corvus Airlines for continued payment of salaries, wages, and benefits of employees in accordance with the PSP1 requirements, and only allowed upon Treasury's receipt of a signed certification called a "Permitted Withdrawal", which replaced the sworn financial statement information attributable to the original PSP1 Application. The Pledge Agreement stated that the agreement was to remain in full force and effect until the later of the termination of the PSP1 Agreement and the complete performance and payment in full of the secured obligations.

In addition to PSP1, Treasury awarded Corvus Airlines \$10,478,223 under the Payroll Support Program Extension (PSP2)¹⁷ authorized by the Consolidated Appropriations Act, 2021 and \$9,773,038 under the Payroll Support Program 3 (PSP3)¹⁸ authorized by the American Rescue Plan Act of 2021. PSP2 and PSP3 were not the subject of this audit.

Audit Results

Corvus Airlines reported correct information for each of the sections reviewed on its PSP1 Application, and in its Permitted Withdrawal Certification reporting to Treasury in accordance with the Pledge Agreement. These PSP1 Application sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. We compared information provided in each section of the PSP1 Application to supporting documentation, including but not limited to, bank statements, air carrier certificates, IRS Form 941, and executive-level business charts. For Permitted Withdrawal Certification reporting, we compared information such as pay

¹⁷ The Consolidated Appropriations Act, 2021 (P.L. 116-260), enacted on December 27, 2020, created the *Airline Worker Support Extension* for passenger air carriers and certain contractors. Treasury referred to this as Payroll Support Program Extension (PSP2).

¹⁸ The American Rescue Plan of 2021 (P.L. 117-2), enacted on March 11, 2021, created the *Air Transportation Payroll Support Program Extension* authorizing Treasury to provide additional assistance to passenger air carriers and contractors that received financial assistance under PSP2. Treasury referred to this as Payroll Support Program 3 (PSP3).

registers and benefit invoices to the Permitted Withdrawal Certifications and found that Corvus Airlines complied with the Pledge Agreement and reported correct information to Treasury from October 2020 through May 2021.¹⁹

Permitted Withdrawal Certification Reporting

In order to assess the completeness and accuracy of Corvus Airlines' Permitted Withdrawal Certification reporting to the Treasury pursuant to Section 3(d) of the Pledge Agreement, we met with Corvus Airlines management to obtain an understanding of processes and responsibilities for receiving deposits from Treasury to the Pledged Account, preparation and submission of Permitted Withdrawal Certificates, and tracking PSP1 eligible compensation in accordance with the Pledge Agreement. PSP1 funding was deposited to the Pledged Account as shown below in Table 1.

Table 1. Pledged Account Deposits

Date	Deposit Amount
September 4, 2020	\$2,508,963
November 18, 2020	\$2,596,116
March 10, 2021	\$2,596,117
March 31, 2021	\$2,596,117
TOTAL	\$10,297,313

Source: Corvus Airlines' Pledged Account Bank Statements

The first of 14 Permitted Withdrawal Certifications was submitted to Treasury on October 16, 2020, the same day as the Pledge Agreement was signed between Corvus Airlines and Treasury. This Permitted Withdrawal Certification included salaries, wages, and benefits paid by Corvus Airlines from August through October 2020, which was not prohibited by the Pledge Agreement. The remaining 13 Permitted Withdrawal Certifications were submitted to Treasury between October 29, 2020, and May 24, 2021. As a result, we reviewed payroll registers and

¹⁹ The 14 Permitted Withdrawal Certifications submitted by Corvus Airlines to Treasury, in accordance with the Pledge Agreement, occurred between October 16, 2020, and May 24, 2021.

benefit invoices data from August 2020 through May 2021 and compiled allowable salaries, wages, benefits, and other compensation paid by Corvus Airlines and compared those amounts to the 14 Permitted Withdrawal Certifications submitted to Treasury. The aggregate amount of the 14 Permitted Withdrawal Certifications totaled \$10,297,313, the same amount made available to Corvus Airlines via Treasury deposits to the Pledged Account illustrated above in Table 1. We found that the total amount of eligible salaries, wages, benefits, and other compensation paid by Corvus Airlines to its employees was [REDACTED], which exceeded the awarded amount by [REDACTED] as illustrated in detail below in Table 2. As such, Corvus Airlines did not over-request PSP1 financial assistance.

Table 2. Permitted Withdrawal Compensation Comparison

Month	Permitted Withdrawal Certifications	PSP1 Eligible Compensation	Variance
August 2020	0	[REDACTED]	[REDACTED]
September 2020	0	[REDACTED]	[REDACTED]
October 2020	[REDACTED]	[REDACTED]	[REDACTED]
November 2020	[REDACTED]	[REDACTED]	[REDACTED]
December 2020	0	[REDACTED]	[REDACTED]
January 2021	0	[REDACTED]	[REDACTED]
February 2021	[REDACTED]	[REDACTED]	[REDACTED]
March 2021	[REDACTED]	[REDACTED]	[REDACTED]
April 2021	[REDACTED]	[REDACTED]	[REDACTED]
May 2021	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	\$10,297,313	[REDACTED]	[REDACTED]

Source: S&R Calculation of Eligible Compensation

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. A distribution list for this report is provided as appendix 3.

Saggar & Rosenberg, P.C. /s/

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Corvus Airlines Inc.'s (Corvus Airlines) sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by the Department of Treasury (Treasury).

The scope of our audit included Corvus Airlines' original ownership and new ownership, which received payments from Treasury.²⁰ We reviewed documentation including the certified applications, sworn financial statements, tax returns, Permitted Withdrawal Certifications,²¹ and other documentation provided to Treasury from March 2020 through May 2021.

To accomplish this objective, Saggar & Rosenberg (S&R) performed the following procedures during audit fieldwork conducted remotely, due to the Coronavirus Disease 2019 (COVID-19) pandemic from September 2021 through February 2022:

- Reviewed applicable Federal laws, regulations, and guidance, including:
 - *Title IV, Subtitle B, Air Carrier Worker Support, of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act);*²² and
 - 14 CFR, Part 241,²³ *Uniform System of Accounts and Reports For Large Certificated Air Carriers*, August 12, 2022.

²⁰ Corvus Airlines filed for Chapter 11 bankruptcy on April 5, 2020, two days after the submission of the PSP1 Application. Corvus Airlines was later purchased via stock acquisition and continued operations under the same company name.

²¹ New ownership from Corvus Airlines was required to deliver a signed certification form to Treasury to withdraw funds for the purpose of continuing the payment of Wages, Salaries, and Benefits to employees.

²² P.L. 116-136 (March 27, 2020).

²³ 14 CFR, Part 241 "Uniform System of Accounts and Reports for Large Certificated Air Carriers" defines "Air carrier, large certificated" as an air carrier holding a certificate issued under 49 U.S.C 41102, as amended, that: (1) operates aircraft designed to have a maximum passenger capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. These air carriers are required to report financial information to the Department of Transportation. Corvus Airlines is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- Reviewed Treasury’s policies, procedures, and guidance related to PSP1:
 - *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors*, which included the PSP1 Application, March 30, 2020;
 - PSP1 Agreement;
 - *Question and Answer: Payroll Support to Air Carriers and Contractors*, (April 2, 2020, April 3, 2020 and April 20, 2020 versions); and
 - *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*, April 3, 2020.
- Performed 100 percent testing for four of the eight sections of the PSP1 Application, specifically, the Applicant Information, Applicant Type, Awardable Amounts,²⁴ and Certification sections with respect to the revised audit scope and objective. The other four sections were not reviewed because the Taxpayer Protection section generally applied to 241 air carriers, with exceptions; the Employment Levels, Financial Institution Information, and Additional Information sections had no impact on Treasury’s determination of recipients’ award amounts.
- Interviewed key Treasury personnel and contracted consultants engaged by Treasury to aid in its evaluation of the air carriers’ and the contractors’ certified applications and other data.
- Interviewed Corvus Airlines representatives responsible for the preparation and submission of Permitted Withdrawal Certifications and tracking PSP1 eligible compensation in accordance with the Pledge Agreement.
- Reviewed documents to support the Permitted Withdrawal Certifications. The documentation included company pay registers, benefit invoices, tax returns, and organizational hierarchy information.

²⁴ The Awardable Amounts section was superseded by Corvus Airlines’ Permitted Withdrawal Certification reporting requirements stemming from the company sale.

Appendix 1: Objective, Scope, and Methodology

- Reviewed the terms and conditions outlined in the Pledge Agreement²⁵ between Corvus Airlines and Treasury, dated October 16, 2020.
- Reviewed GAO's *Standards for Internal Control in the Federal Government*²⁶ to identify the components of internal control that are significant to the audit objective. Understanding internal control within the context of an entity's internal control framework can help auditors determine whether internal control deficiencies exist. We concluded that one of the five internal control components, Control Activities, as related to Corvus Airlines' payroll system, was significant to the audit objective.²⁷ This component states that control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. To assess the controls over Corvus Airlines' payroll system, we examined Corvus Airlines' response to a Data Supplier Questionnaire,²⁸ reviewed a System and Organizational Controls 1 (SOC 1),²⁹ and interviewed Corvus Airlines' management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data are reported in the section below.
- Reviewed GAO's *Assessing Data Reliability*³⁰ guidance, which states that a data reliability determination does not involve attesting to the overall reliability of the data or database. For this audit, the audit team has only determined the reliability of the specific data sources needed to support the findings, conclusions, or recommendations in the context of the audit objective. Corvus Airlines prepared the Permitted Withdrawal Certifications using actual and forecasted payroll estimates from the company's payroll system. S&R compared payroll details

²⁵ Treasury formally agreed to terms with Corvus Airlines' new ownership on October 16, 2020, in the form of a "Pledge Agreement" to further protect Treasury's financial interests in use of PSP1 funds.

²⁶ GAO-14-704G (September 2014).

²⁷ The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

²⁸ A Data Reliability Assessment is completed to assess the reliability of data originating from a system to determine if it is reliable for the purposes of the audit. The Data Supplier Questionnaire would be one of the tools used during the Data Reliability Assessment.

²⁹ SOC 1 report addresses a company's internal control over financial reporting, which pertains to the application of checks-and-limits. Essentially, it is the audit of a third-party vendor's accounting and financial controls.

³⁰ GAO-20-283G (December 2019).

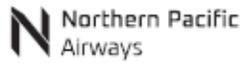
Appendix 1: Objective, Scope, and Methodology

generated from the payroll registers at the individual employee level, as well as third-party vendor benefit invoices from August 2020 through May 2021 to the cumulative amount of Permitted Withdrawal Certifications submitted to Treasury.

To assess data reliability of these sources, we examined Corvus Airlines' response to the Data Supplier Questionnaire for the company's payroll system, reviewed the SOC 1, and interviewed Corvus Airlines' management responsible for generating and using the data. Based on our assessment, we determined that the data was sufficiently reliable to support the findings and conclusions to answer the objective of this audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix 2: Corvus Airlines Management Response



February 28, 2023

Corvus Airlines Management Response to 'Audit of Air Carrier Worker Support Certifications - Corvus Airlines, Inc.' Report

The management of Northern Pacific Airways, Inc. (formerly Corvus Airlines, Inc.) acknowledges the report "Audit of Air Carrier Worker Support Certifications - Corvus Airlines, Inc."

We are in agreement with the results of the audit.

We want to express our gratitude for the PSP program and to the Treasury Department for administering it. This program and the Treasury's efforts kept hundreds of air carrier workers employed at our airline and allowed us to continue providing air service to the remote towns of Alaska that otherwise would have been isolated from receiving essential goods, access to medical aid, US postal service, and even access to COVID-19 vaccines. Thank you!

Sincerely,

A handwritten signature in blue ink, appearing to read 'Thomas Hsieh'.

Thomas Hsieh
President
Northern Pacific Airways, Inc. (formerly Corvus Airlines, Inc.)

907.266.8400
np.com

4700 Old Intl Airport Road
Anchorage, Alaska 99502

Appendix 3: Report Distribution

Department of the Treasury

Treasury Secretary
Deputy Secretary
Treasury Audit Liaison
Office of Strategic Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Corvus Airlines, Inc.

President

Office of Management and Budget

OIG Budget Examiner

United States Senate

Committee on Homeland Security and Governmental Affairs
Committee on Finance
Committee on Banking, Housing, and Urban Affairs
Committee on Commerce, Science, and Transportation
Committee on Appropriations
Committee on the Budget

United States House of Representatives

Committee on Oversight and Reform
Committee on Financial Services
Committee on the Budget
Committee on Transportation and Infrastructure

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REPORT WASTE, FRAUD, AND ABUSE

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