



Audit Report



OIG-24-042

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications - Superior Transportation Associates, Inc.

September 26, 2024

Office of Inspector General
Department of the Treasury

This Page Intentionally Left Blank



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 26, 2024

**MEMORANDUM FOR JESSICA MILANO
CHIEF PROGRAM OFFICER**

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

SUBJECT: Audit of Air Carrier Worker Support Certifications – Superior
Transportation Associates, Inc.

Attached is our audit report for the *Audit of Air Carrier Worker Support Certifications – Superior Transportation Associates, Inc. (STA) (OIG-24-042; dated September 26, 2024)*. 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 STA's 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). This audit was mandated by Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*.¹ The scope of this audit covered the period from April 1, 2019 through September 30, 2019, and included the certified PSP1 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury.

In its audit report, S&R found that STA, a passenger air carrier, incorrectly compiled data used for the Awardable Amounts section of the PSP1 Application, resulting in a \$240,092 overstatement. Specifically, the:

- Inclusion of unallowable corporate officer compensation, resulted in a [REDACTED] overstatement;

¹ P.L. 116–136 (March 27, 2020).

- Inclusion of unsupported “other compensation” amounts, resulted in a [REDACTED] overstatement; and
- Differences between accrual-based accounting information used to prepare the PSP1 Application, for “salaries and wages” and “benefits”, and the actual compensation paid, resulted in a [REDACTED] understatement.

Treasury’s awards to passenger air carriers under PSP1 included a 78.2-percent pro-rata distribution of application amounts. Applying this formula, STA received a \$187,752 overpayment from Treasury.

Accordingly, S&R recommends that Treasury’s Chief Program Officer:

- Seek reimbursement of the \$187,752 overpayment for PSP1 financial assistance; and
- Review STA’s requested amount for unallowable expenses, under the Payroll Support Program Extension (PSP2)² authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)³ authorized by the American Rescue Plan Act of 2021, and seek reimbursement for the overpayment, if applicable.

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. 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 STA’s 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.

² 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).

³ 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).

Attachment

cc: Gregory Till, Chief Operating Officer, Office of Capital Access, Department of the Treasury
Danielle Christensen, Deputy Chief Program Officer, Office of Capital Access, Department of the Treasury
Jason Morrow, Senior Counsel, Department of the Treasury
Jeff Davis, Partner, Saggar & Rosenberg, P.C.

Contents

Audit Report

Results in Brief	2
Background.....	4
Treasury Disbursement Processes	6
PSP1 Interim Audit Report.....	7
Superior Transportation Associates, Inc.	8
Audit Results.....	8
Finding 1 Inaccurate Compilation of the PSP1 Application Awardable Amount	9
Corporate Officer Compensation	9
Unsupported Other Compensation	10
Accrual-Based Application for Salaries and Wages and Benefits	10
Recommendations	12

Appendices

Appendix 1: Objective, Scope, and Methodology	13
Appendix 2: Schedule of Monetary Benefits	17
Appendix 3: STA Management Response.....	18
Appendix 4: Treasury Management Response	19
Appendix 5: Report Distribution	22

Abbreviations

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
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 1	System and Organizational Controls
STA	Superior Transportation Associates, Inc.
Treasury	Department of the Treasury

This Page Intentionally Left Blank

September 26, 2024

Jessica Milano
Chief Program Officer
Department of the Treasury

This report presents the results of our audit of Superior Transportation Associates, Inc.'s (STA) 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).¹ 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).² 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)³ 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 STA's sworn financial statement or other data used to certify the wages, salaries, benefits, and other compensation amounts submitted and approved by Treasury for PSP1. The scope of our audit covered the period from April 1, 2019 through September 30, 2019, and included the certified PSP1 Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on April 3, 2020.⁴

¹ P.L. 116-136 (March 27, 2020).

² 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).

³ 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".

⁴ STA submitted the PSP1 Application and related supporting documentation on April 3, 2020.

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 STA, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from July 2023 through November 2023. Appendix 1 contains a more detailed description of our objective, scope, and methodology.

Results in Brief

In brief, S&R found that STA, a passenger air carrier, reported correct information for three of the four sections reviewed on its PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, and (3) Certification. However, STA incorrectly reported information in the Awardable Amounts section of the PSP1 Application.

STA overstated its awardable amount by \$240,092. Specifically, we found (1) the inclusion of unallowable corporate officer compensation, resulting in a [REDACTED] overstatement, (2) unsupported “other compensation” amounts, resulting in a [REDACTED] overstatement, and (3) differences between the accrual-based accounting information used to prepare the PSP1 Application, for “salaries and wages” and “benefits”, and the actual compensation paid to its employees, resulting in an understatement of [REDACTED]. Treasury’s awards to passenger air carriers under PSP1 included a 78.2-percent pro-rata distribution of application amounts. Applying this formula, we found that STA received a \$187,752 overpayment from Treasury. As a result, we question the costs totaling \$187,752 and recommend that the Chief Program Officer seek reimbursement of the \$187,752 overpayment to STA for PSP1. Additionally, we recommend that Treasury review STA’s requested amount for unallowable

⁵ 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.

expenses, under the Payroll Support Program Extension (PSP2)⁶ authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)⁷ authorized by the American Rescue Plan Act of 2021, and seek reimbursement for overpayment, if applicable.

Appendix 2 contains more details on questioned costs.

As part of our reporting process, we provided STA management an opportunity to comment on a draft of this report. In a written response, STA management stated that after receiving an explanation during the audit process, the company understands that there was an unintentional overstatement of \$187,752⁸ regarding corporate officer compensation and benefits. Additionally, STA management stated that the company believes its PSP1 Application numbers were stated correctly at the time of application based on the interpretation of instructions provided.

Although STA management stated that they believe the PSP1 Application numbers were correct at the time of the application, both the CARES Act and Treasury's Application instructions (referred to as "Guidelines" throughout this report) define "employee" as "an individual, other than a corporate officer, who is employed by an air carrier or contractor in the United States (including its territories and possessions)". Also, the PSP1 Agreement between Treasury and STA, effective May 15, 2020, provides additional information regarding corporate officers, which is detailed in the Audit Results section of this report. STA's PSP1 Application included corporate officer compensation for the Chief Executive Officer and Chief Operating Officer, which were ineligible for PSP1 financial assistance. STA management's response, in its entirety, is included as appendix 3 of this report.

⁶ 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).

⁷ 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).

⁸ As noted in the report, the net overstatement of the awardable amount is \$240,092. Since Treasury disbursed PSP1 funds pro-rata for passenger air carriers at 78.2 percent of the requested awardable amount, STA received an overpayment of \$187,752.

In a written response, Treasury management concurred with our recommendations and agreed that any overpayments of PSP funds should be recouped. Treasury stated it will conduct a review of the findings, consider any response from the recipient, and seek recoupment of any amounts that Treasury determines have been overpaid. In addition, Treasury will review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate. Treasury management will need to record an estimated completion date for these actions in the Joint Audit Management Enterprise System (JAMES). Management's planned corrective actions meet the intent of our recommendations. Treasury management's response, in its entirety, is included as appendix 4 of this report.

Background

Title IV, Subtitle B, of the CARES Act, *Air Carrier Worker Support*, requires Treasury to provide financial assistance to air carriers and 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 air carriers),⁹ 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 air carriers), and contractors, financial assistance is required to be in an amount

⁹ 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. STA is not a Large Certificated Air Carrier.

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 had to 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.
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 — table that outlines in detail the proposed financial instrument to be issued to the Treasury.
7. Additional Information — applicant's verification of submitting its Internal Revenue Service (IRS) Form 941, *Employer's Quarterly*

Federal Tax Return,¹⁰ 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 officials¹¹ and the applicant's 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.

Treasury Disbursement Processes

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 awarded 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

¹⁰ IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employees' paychecks.

¹¹ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

case-by-case basis. Generally, Treasury disbursed the top-off amounts for passenger air carriers in September 2020.

PSP1 Interim Audit Report

In a prior audit report,¹² OIG identified two systemic issues affecting the payment amounts administered to all PSP1 recipients for non-241 air carriers and contractors. Specifically, some of the recipients audited included unallowable employer-side payroll taxes and/or corporate officer compensation in their calculation of the awardable amounts on their PSP1 applications. Treasury management acknowledged these issues 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. Based on our recommendations, in March 2022 Treasury implemented a PSP1 recertification process whereby recipients had to certify whether they excluded employer-side payroll taxes and corporate officer compensation in their calculation of the awardable amounts on their PSP1 applications. Treasury's goal was to determine if overpayments were made to recipients based on inaccurate information included in PSP1 applications.

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. Any overpayment was first offset against the approved top-off payment. If an overpayment remained, or the overpayment was identified after all PSP1 disbursements were made, and the recipient was entitled to PSP2 or PSP3 funding, the overpayment was offset against the PSP2 and/or PSP3 awards prior to issuance. All remaining PSP1 overpayments not previously collected where the recipient did not qualify for, or apply for, PSP2 and PSP3 funding, were required to be repaid to Treasury.

¹² OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

Superior Transportation Associates, Inc.

Headquartered in Costa Mesa, California, STA is a passenger air carrier that provides strategic private aviation solutions to its customers.

STA submitted its PSP1 Application totaling [REDACTED] on April 3, 2020. STA received the passenger air carrier top-off for a total award of \$3,729,662, or 78.2 percent of the company's requested amount. Treasury's disbursements to STA were as follows:

- May 19, 2020: \$1,208,245
- June 2, 2020: \$604,122
- July 1, 2020: \$604,123
- August 3, 2020: \$604,122
- September 1, 2020: \$604,123
- October 1, 2020: \$104,927

In addition to PSP1, Treasury awarded STA \$2,523,006 under PSP2 and \$2,353,208 under PSP3. PSP2 and PSP3 were not the subject of this audit.

Audit Results

We found that STA reported correct information for three of the four sections reviewed on its PSP1 Application. These 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 general ledger data, company sworn financial statement, air carrier certificate, IRS Form 941, executive-level business charts, payroll registers, and third-party benefit invoices.

We also found that STA reported incorrect information in the Awardable Amounts section. The company included unallowable corporate officer compensation, resulting in a [REDACTED] overstatement. In addition, STA was unable to support the

amounts requested for “other compensation”, resulting in a [REDACTED] overstatement. However, STA’s accrual-based accounting information used to prepare the PSP1 Application, for “salaries and wages” and “benefits”, was less than the actual compensation paid to its employees by [REDACTED], resulting in an aggregate overstatement of \$240,092.

Since Treasury disbursed PSP1 funds pro-rata for passenger air carriers at 78.2 percent of the requested awardable amount, STA received an overpayment of \$187,752.

Finding 1

Inaccurate Compilation of the PSP1 Application Awardable Amount

Corporate Officer Compensation

Both the CARES Act and Treasury’s Guidelines define “employee” as “an individual, other than a corporate officer, who is employed by an air carrier or contractor in the United States (including its territories and possessions).”

In addition, the signed PSP1 Agreement, effective date May 15, 2020, subsequently defines a corporate officer as:

with respect to the Recipient, its president; any vice president in charge of a principal business unit, division, or function (such as sales, administration, or finance); any other officer who performs a policy-making function; or any other person who performs similar policy making functions for the Recipient. Executive officers of subsidiaries or parents of the Recipient may be deemed Corporate Officers of the Recipient if they perform such policy-making functions for the Recipient.

We identified six STA executives through discussion with management and review of the company’s 2019 organizational chart. Two of those executives met the definition of a corporate officer per the PSP1 Agreement. STA included unallowable compensation paid to both corporate officers, resulting in an overstatement of [REDACTED]. The two executives were the Chief Executive Officer, and the Chief Operating Officer.

STA management stated that there was a lack of guidance regarding the requirement to exclude corporate officers from the awardable amount calculation on the PSP1 Application.

Unsupported Other Compensation

Treasury's Guidelines define wages, salaries, benefits, and other compensation as:

remuneration paid by the applicant to its employees for personal services and includes salaries, wages, overtime pay, cost-of-living differentials, and other similar compensation, as distinguished from per diem allowances or reimbursement for expenses incurred by personnel for the benefit of the applicant.

In addition, the Guidelines define Awardable Amounts as:

an amount that such carrier certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation paid by such carrier during the time period.

STA requested [REDACTED] of "other compensation" on its PSP1 Application. We found that the "other compensation" amounts were unsupported and could not be traced to payroll information for the April through September 2019 period. STA management stated that it was unable to determine how it produced the amounts requested for "other compensation."

Accrual-Based Application for Salaries and Wages and Benefits

STA used accrual-based accounting information, totaling [REDACTED] for "salaries and wages" and "benefits", rather than the actual paid amounts of [REDACTED] to prepare the PSP1 Application, which resulted in an understatement of [REDACTED].

STA management stated that it used accrual-based accounting information to prepare the PSP1 Application for "salaries and wages" and "benefits" because it was readily available and served as a rational basis for its financial assistance request.

The inclusion of corporate officers resulted in an overstatement of [REDACTED], and unsupported other compensation amounts in the PSP1 Application resulted in an overstatement of [REDACTED]. However, these overstatements were offset by differences between actual amounts paid to employees and the application figures for “salaries and wages” and “benefits”, compiled using accrual-based accounting information of [REDACTED]. As a result, the residual net overstatement is \$240,092, as illustrated in Table 1 below.

Table 1: Aggregate Overstatement

Description	Salaries/Wages	Benefits	Other Compensation	Total
Actual Supported Compensation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Less: Corporate Officers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Allowable Compensation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PSP1 Application	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Overstatement	[REDACTED]	[REDACTED]	[REDACTED]	\$(240,092)

Source: S&R Calculation of Awardable Amount

Since Treasury disbursed PSP1 funds pro-rata for passenger air carriers at 78.2 percent of the requested awardable amount, STA received an overpayment of \$187,752.

To remedy the findings noted in the prior OIG audit report,¹³ Treasury required PSP2 applicants to recertify their PSP1 awardable amounts. STA erroneously certified to Treasury under PSP2, that its PSP1 Application did not include corporate officer compensation. Treasury stated it relies on applicants’ certifications that they did not include unallowable expenses (i.e. corporate officer compensation and employer-side payroll taxes) and no further validation checks were performed; as a result, the company

¹³ OIG-21-025, *Interim Audit Update – Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, March 31, 2021.

likely erroneously included corporate officer compensation in its PSP2 and PSP3 financial assistance request.

Recommendations

S&R recommends that Treasury's Chief Program Officer:

1. Seek reimbursement of the \$187,752 overpayment of PSP1 financial assistance.

Management Response

Treasury will conduct a review of the findings, consider any response from the recipient, and seek recoupment of any amounts that Treasury determines have been overpaid.

OIG Comment

Management's planned corrective actions meet the intent of our recommendation. Treasury management will need to record an estimated completion date for these actions in JAMES.

2. Review STA's requested amount for unallowable expenses, under PSP2 and PSP3, and seek reimbursement for the overpayment, if applicable.

Management Response

Treasury will review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate.

OIG Comment

Management's planned corrective actions meet the intent of our recommendation. Treasury management will need to record an estimated completion date for these actions in JAMES.

* * * * *

We appreciate the courtesies and cooperation provided to our staff during the audit. A distribution list for this report is provided as appendix 5.

Saggar & Rosenberg, P.C. /s/

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Superior Transportation Associates, Inc.'s (STA) 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).

The scope of our audit covered the period from April 1, 2019 through September 30, 2019, and included the certified Payroll Support Program (PSP1) Application, sworn financial statement, tax returns, and other documentation submitted to Treasury on April 3, 2020.¹⁴

To accomplish this objective, Saggart & Rosenberg, P.C. (S&R) performed the following activities during audit fieldwork conducted remotely from July 2023 through November 2023:

- Reviewed applicable Federal laws and regulations, including:
 - Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act);¹⁵ and
 - 14 CFR, Part 241,¹⁶ *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, amended December 28, 2023.
- 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;

¹⁴ STA submitted the PSP1 Application and related support documentation on April 3, 2020.

¹⁵ P.L. 116–136 (March 27, 2020).

¹⁶ 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. STA is not a Large Certificated Air Carrier.

Appendix 1: Objective, Scope, and Methodology

- *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, and Certification sections. 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 consultant personnel engaged by Treasury to aid in its evaluation of the air carriers’ and the contractors’ certified applications and other data.
- Interviewed STA representatives responsible for the completion and submission of the sworn financial statement in the Awardable Amounts section of the PSP1 Application.
- Reviewed sworn financial statement and documents to support the requested payroll support amount. The documentation included general ledger data; company pay registers; benefit invoices; Internal Revenue Service (IRS) Form 941, *Employer’s Quarterly Federal Tax Return*,¹⁷ and organizational hierarchy information.
- Reviewed Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*¹⁸ 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 STA’s payroll system, was

¹⁷ IRS Form 941 is a tax form that businesses file quarterly to report income taxes, Social Security taxes, and Medicare taxes they withheld from employees’ paychecks.

¹⁸ GAO-14-704G (September 2014).

Appendix 1: Objective, Scope, and Methodology

significant to the audit objective.¹⁹ 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 STA's payroll system, we reviewed a System and Organizational Controls 1 (SOC 1) report,²⁰ Data Supplier Questionnaire,²¹ and interviewed STA management responsible for generating and using the data. Additional details regarding our assessment of the reliability of the data is reported in the section below.

- Reviewed GAO's *Assessing Data Reliability*²² 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. STA prepared the PSP1 Application using payroll and benefit information from the accrual-based accounting system of record. We compared details generated from payroll registers at the individual employee level, as well as third-party vendor benefit invoices from April 2019 through September 2019, to the amounts presented in the Awardable Amounts section of the PSP1 Application.

To assess data reliability of these sources, we reviewed the SOC 1 report and Data Supplier Questionnaire for the payroll system, and interviewed STA 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

¹⁹ The five components in GAO's Standards for Internal Control in the Federal Government are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

²⁰ 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.

²¹ 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.

²² GAO-20-283G (December 2019).

Appendix 1: Objective, Scope, and Methodology

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: Schedule of Monetary Benefits

According to the Code of Federal Regulations,²³ a questioned cost is a cost that is questioned by the auditor because of an audit finding:

- (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
- (b) where the costs, at the time of the audit, are not supported by adequate documentation; or
- (c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Questioned costs are to be recorded in the Department of the Treasury's (Treasury) Joint Audit Management Enterprise System. The amount will also be included in the Office of Inspector General (OIG) Semiannual Report to Congress. It is Treasury management's responsibility to report to Congress on the status of the agreed to recommendations with monetary benefits in accordance with 5 USC 405.

<u>Recommendation</u>	<u>Questioned Costs</u>
Recommendation No. 1	\$187,752

The questioned cost represents amounts provided by Treasury under the Payroll Support Program (PSP1). As discussed in Finding 1, Superior Transportation Associates, Inc. overstated its PSP1 Application awardable amount to Treasury by \$240,092 due to (1) the inclusion of corporate officer compensation; (2) unsupported "other compensation" amounts; and (3) differences between accrual-based accounting information used to prepare the PSP1 Application, for "salaries and wages" and "benefits", and the actual compensation paid. However, since Treasury disbursed PSP1 funds pro-rata for passenger air carriers at 78.2 percent of the requested amount, the questioned cost related to the overstated PSP1 Application is \$187,752.

²³ 2 CFR § 200.84 – Questioned Cost.

Appendix 3: STA Management Response



August 21, 2024

Audit of Air Carrier Worker Support Certification _ Superior Transportation Associates Inc

In response to the Formal Draft Audit Report, the Company's response to Saggar & Rosenberg's recommendations are as follows:

- Seek reimbursement of the \$187,752 overpayment for PSP1 financial assistance;

Management Response: The Company understands after receiving explanation during the audit process that there was an unintentional overstatement of \$187,752.00 regarding Corporate Officer compensation and benefits. The Company believes these numbers were stated correctly at the time of application based on the interpretation of instructions provided.

- Review STA's requested amount for unallowable expenses, under the Payroll Support Program Extension (PSP2)² authorized by the Consolidated Appropriations Act, 2021 and the Payroll Support Program 3 (PSP3)³ authorized by the American Rescue Plan Act of 2021, and seek reimbursement for the overpayment, if applicable.

Management Response: No Comments.

Best Regards,


Megan Cunningham
General Manager, Superior Transportation Associates Inc.

1.844.FLY.STA1 | fly@stajets.com | www.stajets.com

Appendix 4: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 20, 2024

Deborah L. Harker
Assistant Inspector General for Audit
U.S. Department of the Treasury – Office of Inspector General
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Ms. Harker:

I write regarding the Office of Inspector General's (OIG) draft *Audit of Air Carrier Worker Support Certifications* (Draft Report), regarding Superior Transportation Associates (the Recipient), a recipient of funds under Treasury's Payroll Support Program (PSP). The U.S. Department of the Treasury (Treasury) appreciates OIG's efforts.

Background on the Payroll Support Program

PSP was part of an effort to provide emergency assistance in response to the unprecedented challenges presented by the COVID-19 public health emergency and had three iterations:

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020, and established the Payroll Support Program (PSP1) to provide financial assistance to America's passenger air carriers, cargo air carriers, and certain aviation contractors. Treasury disbursed more than \$28 billion to over 600 businesses in PSP1, directly supporting more than 600,000 American jobs.
- In December 2020, the Consolidated Appropriations Act, 2021, created the Payroll Support Program Extension (PSP2) for eligible passenger air carriers and certain aviation contractors. Treasury disbursed over \$15 billion to over 480 passenger air carriers and contractors under PSP2.
- In March 2021, the American Rescue Plan Act of 2021 provided an additional \$15 billion for Treasury to make further payroll support payments to entities that participated in PSP2 (PSP3). Treasury disbursed over \$14.5 billion to over 480 passenger air carriers and contractors under PSP3.

The CARES Act set forth two different methodologies for calculating awardable amounts for the largest carriers and for smaller air carriers and aviation contractors. For the largest air carriers, which received approximately 89% of the total PSP assistance, PSP1 amounts were based on reports the carriers had filed with the U.S. Department of Transportation under 14 C.F.R. part 241. In contrast, the statute required Treasury to provide financial assistance to smaller air carriers and aviation contractors in an amount that the applicants certified, using sworn financial statements or other appropriate data, as the amount of wages, salaries, and benefits that they paid to their employees during the time period from April 1, 2019, through September 30, 2019.

For awards to the smaller companies, the PSP1 application and Treasury's guidelines made clear that the awardable amounts should not include, inter alia, (1) any employer-side payroll taxes, which are not paid to employees, and (2) compensation paid to corporate officers and non-employee contractors. Before accepting PSP2 applications, Treasury published additional guidance further emphasizing that such amounts should not be included in the companies' awardable amount calculations.¹ In both PSP1 and PSP2, Treasury required two officials of each applicant, including at least one corporate officer, to certify that the information provided in the application was correct and did not contain any materially false or fraudulent statements.

In April 2020, OIG began a series of audits of PSP1 recipients to determine whether they had properly calculated their requested awardable amounts. In March 2021, OIG issued an Interim Audit Update, notifying Treasury that a number of recipients being audited had impermissibly included, in their PSP1 applications, employer-side payroll taxes or corporate officer compensation in the calculation of the awardable amount, which may have resulted in an overstatement of the amount of PSP1 funds requested. In response, Treasury promptly took a series of remedial actions, including requiring that all PSP1 applicants receiving awards on the basis of self-certification re-certify whether their awardable amounts included employer-side payroll taxes or corporate officer compensation. Where a company informed Treasury that it had improperly included those amounts in its application, Treasury either withheld future PSP1 disbursements or began pursuing debt recoupment. Through this process, Treasury has successfully recouped more than \$147 million of PSP overpayments.

OIG's Findings and Recommendations

The Draft Report describes the work performed by OIG's contractor to determine whether the Recipient's requested awardable amount complied with the guidelines provided by Treasury. The Draft Report notes the extensive fieldwork conducted for this review between July 2023 and November 2023 to determine the accuracy of the information in the Recipient's PSP1 application submitted to Treasury, including interviewing the Recipient's management and collecting and reviewing a wide range of the company's financial records and corporate documents. OIG found that the Recipient overstated its requested awardable amounts due to the improper inclusion of unallowable corporate officer compensation and unsupported "other compensation" amounts. OIG recommends that Treasury (1) seek reimbursement of \$187,752 of overpayments of PSP1 assistance and (2) review any requested amounts from the Recipient for PSP2 and PSP3 assistance to determine whether overpayments occurred.

Treasury agrees with OIG that any overpayments of PSP funds should be reimbursed. Treasury will review OIG's findings, consider any response from the Recipient, and seek recoupment of any amounts that Treasury determines have been overpaid. Treasury will also review awardable amounts requested under PSP2 and PSP3 and seek recoupment where appropriate.

¹ Because awardable amounts in PSP3 were calculated as a percentage of each company's PSP2 award, companies were not required to calculate awardable amounts for PSP3.

Again, Treasury appreciates OIG's work on these engagements. We look forward to working with you to protect the integrity of the PSP and other recovery programs.

Sincerely,

A handwritten signature in black ink that reads "Jessica Milano". The signature is written in a cursive, flowing style.

Jessica Milano
Chief Program Officer

Appendix 5: 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

Superior Transportation Associates, Inc.

Chief Executive Officer
Chief Operating Officer

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 Accountability
Committee on Financial Services
Committee on the Budget
Committee on Transportation and Infrastructure

This Page Intentionally Left Blank



REPORT WASTE, FRAUD, AND ABUSE

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: <https://oig.treasury.gov/report-fraud-waste-and-abuse>

TREASURY OIG WEBSITE

Access Treasury OIG reports and other information online: <https://oig.treasury.gov/>