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Audit Report



OIG-26-024

CORONAVIRUS DISEASE 2019 PANDEMIC RELIEF PROGRAMS

Audit of Air Carrier Worker Support Certifications – Air Wisconsin Airlines LLC

March 13, 2026

Office of Inspector General
Department of the Treasury

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Abbreviations

Air Wisconsin	Air Wisconsin Airlines LLC
AWAC	AWAC Aviation, Inc.
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
DOT	Department of Transportation
Guidelines	Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act
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

Treasury

Department of the Treasury

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Audit Report

March 13, 2026

Jeffrey Stout
Acting Chief Program Officer
Department of the Treasury

This report presents the results of our audit of Air Wisconsin Airlines LLC's (Air Wisconsin) certification 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 2019.² 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.

Our audit objective was to assess the accuracy, completeness, and sufficiency of Air Wisconsin'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

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."

returns, and other documentation submitted to Treasury on April 3, 2020.⁴

To accomplish the objective, we reviewed applicable laws, regulations, and Treasury’s policies and procedures, including but not limited to, Title IV, Subtitle B, *Air Carrier Worker Support* of the CARES Act; *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act* (Guidelines); PSP1 Agreement; and *Frequently Asked Questions: Application Procedures for Payroll Support to Air Carriers and Contractors*. We interviewed key personnel from Air Wisconsin, Treasury, and contracted consultants engaged by Treasury to evaluate certified company applications. We conducted our fieldwork from September 2020 through September 2023. Appendix 1 contains a more detailed description of our audit objective, scope, and methodology.

Results in Brief

We found that Air Wisconsin, a passenger air carrier, reported correct information for five of the seven sections reviewed on its PSP1 Application.⁵ These sections are: (1) Applicant Information, (2) Applicant Type, (3) Financial Institution Information, (4) Additional Information, and (5) Certification. We also found that Air Wisconsin reported incorrect information in the Awardable Amounts and Employment Levels sections of the PSP1 Application.

Air Wisconsin overstated its awardable amount by \$3,057,188. Specifically, we found the (1) inclusion of five corporate officers’ compensation, resulting in a \$ [REDACTED] overstatement; (2) inclusion of employer-side payroll taxes, resulting in a \$ [REDACTED] overstatement; (3) inclusion of per diem, resulting in a \$ [REDACTED] overstatement; (4) data compilation errors for

⁴ Air Wisconsin submitted its PSP1 Application and related supporting documentation on April 3, 2020.

⁵ The PSP1 Application is comprised of eight sections. One section - Taxpayer Protection, was not subject to audit procedures because it generally does not apply to non-241 air carriers.

benefits, resulting in a \$ [REDACTED] understatement; and (5) exclusion of allowable airmen trainee wages, resulting 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, Air Wisconsin received a \$2,390,721 overpayment from Treasury. As a result, we questioned the cost totaling \$2,390,721. We confirmed that Treasury took corrective action by reducing \$2,746,628 from the company's Payroll Support Program Extension (PSP2)⁶ payment on July 15, 2021. Due to instances of non-compliance with PSP1, we recommend that Treasury review Air Wisconsin's requested amount for unallowable expenses, under the PSP2 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.

Furthermore, in the Employment Levels section, Air Wisconsin correctly reported the "number of involuntary reductions after March 1, 2020"; however, the company reported 1,774 as the "average number of employees 2019" but should have reported 1,784. Air Wisconsin calculated the number by using two headcount data points, dated January 2, 2019, and January 2, 2020, and included corporate officers. Our calculation was based on a 12-month average of 2019 employees and excluded corporate officers. As a result, the company understated the number by 10 employees on the PSP1 Application. Treasury management stated that the reported information has no impact on determining the awardable amount. As such, we are not reporting this discrepancy as a finding.

As a part of our reporting process, we provided Air Wisconsin management with an opportunity to comment on a draft of this report. In a written response, while Air Wisconsin management

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).

did not contest the report in any material respect, they presented calculations estimating an underpayment from Treasury for PSP2 and PSP3 financial assistance. Air Wisconsin management also noted that if Treasury conducts an audit of PSP2 and PSP3 as recommended and determines the company was undercompensated, the company should be made whole for any underpayment. Additionally, Air Wisconsin management expressed that we stated in the Results in Brief section that we are not reporting the Employment Levels discrepancy as a finding; however, they believe that we reported it as a finding when stating that Air Wisconsin reported incorrect information in the Employment Levels section of the PSP1 Application. Air Wisconsin management recommended that we include a footnote to distinguish the Employment Levels as a concern and Awardable Amount as a finding.

We maintain that the information presented in this report is accurate. As noted, PSP2 and PSP3 were outside the scope of this audit. We recommended Treasury review the company's requested amounts for PSP2 and PSP3 due to instances of non-compliance in the PSP1 Awardable Amounts section. Also, we found discrepancies in the Employment Levels section in the PSP1 Application. Although these discrepancies did not impact awardable amounts, the discrepancies support our conclusion. Air Wisconsin management's response, in its entirety, is included as appendix 2 of this report.

In a written response, Treasury management concurred with our recommendation and agreed that any overpayments of PSP funds should be recouped. Treasury stated it 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). Managements planned corrective actions meet the intent of our recommendation. Treasury's management response, in its entirety, is included as appendix 3 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 DOT (referred to as 241 air carriers),⁸ 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 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.

⁸ 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. DOT notified Air Wisconsin that they were granted Large Certificated Air Carrier status on July 24, 2020, with a backdated effective date as of January 1, 2018. Air Wisconsin applied for PSP1 financial assistance on April 3, 2020 as a non-241 air carrier before they were granted 241 air carrier status.

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 number of 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 the Treasury.
7. Additional Information — applicant's verification of submitting its Internal Revenue Service (IRS) Form 941, *Employer's Quarterly Federal Tax Return*,⁹ covering the period April 1, 2019, through September 30, 2019, along with the PSP1 Application submitted to Treasury.

⁹ 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.

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8. Certification – names, titles, and signatures of two certifying officials¹⁰ 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 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.

¹⁰ The certifying officials attested under penalty of perjury that the information and certifications provided in the application and its attachments are true and correct.

PSP1 Interim Audit Report

In a prior audit report,¹¹ 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.

¹¹ Treasury OIG, *Interim Audit Update: Air Carrier and Contractor Certifications for Payroll Support Program (Interim Audit)*, OIG-21-025 (March 31, 2021)

Air Wisconsin Airlines LLC

Headquartered in Appleton, Wisconsin, Air Wisconsin is a passenger air carrier that operates as a regional airline and provides services throughout the Midwest and East Coast.

Air Wisconsin submitted its PSP1 Application totaling \$ [REDACTED] on April 3, 2020. Air Wisconsin received the passenger air carrier top-off for a total award of \$42,184,798, or 78.2 percent of the company's requested amount. Treasury's disbursements to Air Wisconsin were as follows:

- April 23, 2020: \$13,666,004.35
- June 4, 2020: \$6,833,002.17
- July 21, 2020: \$6,833,002.17
- August 6, 2020: \$6,833,002.17
- September 9, 2020: \$6,833,002.18
- October 6, 2020: \$1,186,784.59

In addition to PSP1, Treasury awarded Air Wisconsin \$35,733,867 under PSP2 and \$33,328,978 under PSP3. PSP2 and PSP3 were not the subject of this audit.

Audit Results

Air Wisconsin reported correct information for five of seven sections reviewed on its PSP1 Application. These sections are: (1) Applicant Information, (2) Applicant Type, (3) Financial Institution Information, (4) Additional Information, and (5) Certification. We compared information provided in each section of the PSP1 Application to supporting documentation, including DOT Air Operator Certification,¹² IRS Form 941,

¹² An Operator Certification is issued to an air carrier that will conduct intrastate air transportation.

organizational charts, payroll registers, employee furlough information, and bank statements, among other items.

For the remaining two sections, Awardable Amounts and Employment Levels, Air Wisconsin reported incorrect information. Air Wisconsin incorrectly included \$ [REDACTED] of unallowable corporate officer compensation, \$ [REDACTED] of employer-side payroll taxes, and \$ [REDACTED] of per diem; however, the overstatement was partially offset by \$ [REDACTED] due to data compilation errors in the benefits calculation; and the exclusion of \$ [REDACTED] allowable airmen trainee wages. Overall, the company overstated its awardable amount by \$3,057,188. Treasury's awards to passenger air carriers under PSP1 included a 78.2-percent pro-rata distribution of application amounts. Applying this formula, Air Wisconsin received \$2,390,721 overpayment from Treasury. We confirmed that Treasury took corrective action by reducing \$2,746,628 from the company's PSP2 payment on July 15, 2021.

Furthermore, in the Employment Levels section, Air Wisconsin correctly reported the "number of involuntary reductions after March 1, 2020;" however, the company incorrectly reported the "average number of employees 2019." Treasury management stated that the reported information had no impact on determining the awardable amount. As such, we are not reporting this discrepancy as a finding.

Finding

Inaccurate Compilation for the PSP1 Application Awardable Amount

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)."

The signed PSP1 Agreement, effective April 20, 2020, defines:

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; and

salary as without duplication of any amounts counted as benefits, a predetermined regular payment, typically paid on a weekly or less frequent basis but which may be expressed as an hourly, weekly, annual or other rate, as well as cost-of-living differentials, vacation time, paid time off, sick leave, and overtime pay, paid by the recipient to its employees, but excluding any federal, state, or local payroll taxes paid by the recipient.

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; and

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.

Air Wisconsin incorrectly certified the PSP1 awardable amount resulting in an overstatement of \$3,856,423. Specifically, Air Wisconsin included:

- Compensation for the (1) Secretary and Legal Counsel; (2) Managing Director of Human Resource; (3) Director and President, AWAC Aviation Inc. (AWAC);¹³ (4) Director and Secretary, AWAC and Manager, Air Wisconsin; and (5) Director and President, AWAC and Chairman Board of Directors, resulting in an overstatement of \$[REDACTED]. The five executives all met

¹³ AWAC Aviation, Inc. is the sole member of Air Wisconsin Airlines LLC.

the definition of corporate officer per the PSP1 Agreement, through discussions with management, and review of Air Wisconsin's 2019 organizational chart.

- Employer-side payroll taxes, resulting in an overstatement of \$ [REDACTED].
- Per diem, resulting in an overstatement of \$ [REDACTED].

Air Wisconsin management stated that the inclusion of corporate officer compensation and employer-side payroll taxes was due to Treasury's unclear guidance and broad definition of wages, salaries, benefits, and other compensation. Management also stated they were confused as to whose compensation should have been included or excluded from the application and they relied on the DOT Form 41, Schedule P-6¹⁴ guidance to include payroll taxes. Additionally, management stated that they relied on IRS's taxable per diem definition¹⁵ and considered per diem as wages; therefore, included it in the awardable amount.

The \$3,856,423 overstatement was partially offset due to exclusion of allowable benefits and airmen trainee wages. Specifically, Air Wisconsin removed:

- Estimated fringe benefits, resulting in an understatement of \$ [REDACTED].
- Wages of airmen trainees who met the definition of "employee" per Treasury's guidance, resulting in an understatement of \$ [REDACTED].

Air Wisconsin management stated that the estimated amount of fringe benefits was removed to ensure that they reported conservatively, and any errors were due to oversight. Further,

¹⁴ DOT Form 41, Schedule P-6 is a financial reporting document filed by 241 air carriers with DOT. It lists categories of 1) salaries and related fringe benefits (fringe benefits includes payroll tax information); 2) materials purchased; and 3) services purchased.

¹⁵ IRS defines taxable per diem as payments made to employees if 1) no expense report is filed with the employer, 2) the expense report does not include date, time, place, amount, and business purpose, 3) a flat amount is given to the employee, or 4) per diem is paid in excess of the allowable standard federal rate; therefore considered wages, subject to wages and employment taxes for IRS purposes. (https://www.irs.gov/pub/irs-regs/per_diem_faq_%26_a_v1.pdf)

Air Wisconsin management stated that they excluded airman trainee wages because they did not consider airman trainees as employees for the purpose of the PSP1 Application.

Overall, the \$ [REDACTED] overstatement for corporate officer compensation, \$ [REDACTED] overstatement for employer-side payroll taxes, \$ [REDACTED] overstatement for per diem, \$ [REDACTED] understatement of data compilation errors for benefits, and \$ [REDACTED] understatement for exclusion of airmen trainee wages, resulted in an aggregate overstatement of \$3,057,188. Since Treasury disbursed PSP1 funds pro-rata for passenger air carriers at 78.2 percent of the requested awardable amount, Air Wisconsin received an overpayment of \$2,390,721. Table 1 illustrates the aggregate overpayment.

Table 1. Aggregate Overstatement and Pro-Rated Overpayment

Description	Amount
PSP1 Application Requested Amount	\$ [REDACTED]
Less Corporate Officer Compensation	\$ [REDACTED]
Less Employer-Side Payroll Taxes	\$ [REDACTED]
Less Per Diem	\$ [REDACTED]
Plus Data Compilation Errors for Benefits	\$ [REDACTED]
Plus Airmen Trainee Wages	\$ [REDACTED]
OIG PSP1 Calculated Amount	\$50,887,566
Overstatement	\$3,057,188
PSP1 Passenger Pro-rata	78.2%
Pro-Rated Overpayment	\$2,390,721

Source: OIG Calculation of Awardable Amount

To remedy the findings noted in the prior OIG audit report (see footnote 11), Treasury required PSP2 applicants to recertify their PSP1 awardable amounts. Air Wisconsin certified to Treasury and acknowledged under PSP2, that its PSP1 Application included unallowable corporate officer compensation and employer-side payroll taxes, totaling \$3,512,312. We confirmed that Treasury took corrective action by reducing a prorated amount of 78.2 percent, or \$2,746,628 from the

company's PSP2 payment on July 15, 2021. Due to instances of non-compliance in the PSP1 awardable amount, the company may have potentially included unallowable expenses in its PSP2 and PSP3 financial assistance requests.

Recommendation

We recommend that Treasury's Acting Chief Program Officer:

1. Review Air Wisconsin's requested amount for unallowable expenses under PSP2 and PSP3, and seek reimbursement for 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. If you wish to discuss the report, you may contact me at (202) 439-6354, or Christopher Culbreath, Acting Audit Manager at (202) 486-1983. Major contributors to this report are listed in appendix 4. A distribution list for this report is provided as appendix 5.

/s/

Julie Wong
Acting Deputy Assistant Inspector General for Audit

Appendix 1: Objective, Scope, and Methodology

Our objective was to assess the accuracy, completeness, and sufficiency of Air Wisconsin Airlines LLC's (Air Wisconsin) 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 Payroll Support Program (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.

To accomplish this objective, we performed the following activities during audit fieldwork conducted remotely from September 2020 through September 2023:

- Reviewed applicable laws and regulations, including:
 - Title IV, Subtitle B, *Air Carrier Worker Support*, of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act); and
 - 14 CFR Part 241, *Uniform System of Accounts and Reports for Large Certificated Air Carriers*, amended May 31, 2024.
- Reviewed Treasury's policies, procedures, and guidelines related to PSP1:
 - *Guidelines and Application Procedures for Payroll Support to Air Carriers and Contractors under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act*, 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.

Appendix 1: Objective, Scope, and Methodology

- Performed 100 percent testing for seven of the eight sections of the PSP1 Application—specifically, the Applicant Information, Applicant Type, Financial Institution Information, Employment Levels, Awardable Amounts, Additional Information, and Certification sections. The Taxpayer Protection section was not reviewed because it generally does not apply to non-241 air carriers. According to Treasury, the Employment Levels section had no impact on Treasury’s determination of recipients’ award amounts. As such, we are not reporting the discrepancy as a finding.
- 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 Air Wisconsin representatives responsible for the completion and submission of the sworn financial statement. The amounts submitted in the Awardable Amounts section of the PSP1 Application were considered the sworn financial statement.
- Reviewed sworn financial statement and documents to support the requested payroll support amount. The documentation included, but was not limited to, (1) PSP1 Application; (2) Department of Transportation (DOT) Air Operator Certification; (3) 2019 Internal Revenue Service (IRS) Form 941, *Employer’s Quarterly Federal Tax Return*; (4) 2019 IRS Form 851, *Affiliation Schedule*;¹⁶ (5) 2019 and 2020 organizational charts; (6) 2019 consolidated income statement; (7) April 2019 through September 2019 payroll registers; (8) employee furlough information; (9) 2019 general ledger; (10) PSP1 Agreement; and (11) April 2020, March 2021, and April 2021 bank statements.
- Reviewed Government Accountability Office’s *Standards for Internal Control in the Federal Government* 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

¹⁶ IRS Form 851 is a tax form that a parent corporation of an affiliated group files with its consolidated income tax return to (1) identify the common parent corporation and each member of the affiliated group; (2) report the amount of overpayment credits, estimated tax payments, and tax deposits attributable to each corporation; and (3) determine that each subsidiary corporation qualifies as a member of the affiliated group.

Appendix 1: Objective, Scope, and Methodology

auditors determine whether internal control deficiencies exist. We concluded that one of the five internal control components, Control Activities, as related to Air Wisconsin's payroll systems, was significant to the audit objective.¹⁷ 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 Air Wisconsin's payroll systems, we examined Air Wisconsin's response to Data Supplier Questionnaires,¹⁸ and interviewed Air Wisconsin's 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 Government Accountability Office's *Assessing Data Reliability* 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. Air Wisconsin used information generated from its payroll systems to complete the PSP1 Application. As such, we compared the information generated from the payroll systems to the information in the "Employment Levels" and "Awardable Amounts" sections of the PSP1 Application.

To assess the reliability of the company's payroll systems, we (1) reviewed the completed Data Supplier Questionnaires for Air Wisconsin's payroll systems; (2) observed and documented the process of generating the furlough reports by the company's representative; (3) ensured generated furlough reports, payroll registers, and airmen trainee spreadsheet were within the expected date range;¹⁹ and (4) interviewed Air Wisconsin representatives knowledgeable

¹⁷ The five components of internal control are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

¹⁸ 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.

¹⁹ The furlough reports had a date range from March 1, 2020, through September 30, 2020. The payroll registers and airmen trainee spreadsheet had a date range from April 1, 2019, through September 30, 2019.

Appendix 1: Objective, Scope, and Methodology

about the data. Based on our assessment, we determined that the data were 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: Air Wisconsin Management Response



October 6, 2025

Office of the Inspector General
Department of the Treasury

RE: Audit of Air Carrier Worker Support
Certifications – Air Wisconsin Airlines LLC

Dear Sirs:

Air Wisconsin Airlines LLC submits this letter in response to your Audit Report, dated [Month XX, 2025], reference number [OIG-XX-XXXX] (the “Audit Report”). While we do not contest the Audit Report in any material respect, we take this opportunity to 1) enter our letters to the Department of Treasury (“Treasury”) regarding its inconsistent application of definitions, which letters are dated [Month XX, 2020] and XX and are attached hereto; 2) present our review of your calculation regarding Awardable Amounts; and 3) to clarify your position on whether a Material Concern is in fact a finding.

With respect to your Finding 1 and your calculation of the Awardable Amounts, as stated above, we do not disagree with your finding in any material respect. Using what appears to have been your method of calculation, we further refined the “overpayment” as follows:

Category	OIG Audit	AWA	Variance
Payroll Taxes	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Officer Comp	[REDACTED]	[REDACTED]	[REDACTED]
Per Diem Taxable	[REDACTED]	-	[REDACTED]
Corporate Officer Fringe	[REDACTED]	-	[REDACTED]
Airmen Trainee Wages	[REDACTED]	-	[REDACTED]
Total Treasury Adjustment	3,057,188	3,512,312	(455,124)
78.20% PSP 1 Recon	2,390,721	2,746,628	(355,907)
39.96% PSP 2 Recon			(181,847)
37.29% PSP 3 Recon			(169,724)
Total Estimated Adjustment			\$ (707,477)

You will note that our calculation resulted in an “overpayment” of \$3,512,312 as opposed to your calculation which resulted in an overpayment of \$3,057,188. Netting those two gross amounts down by the pro-rata distribution reduction of 21.8%, results in a difference of \$355,907 in favor of the Treasury. However, if the Treasury department accepts the OIG audit finding of an overstatement of \$3,057,188, as this amount is \$455,124 less than the amount we certified for PSP 2.

We think this is important to note as you have recommended a review of our PSP2 and PSP3 award amounts, should such review result in overpayment, the Treasury should seek reimbursement. The corollary, however, must also be true – where Treasury conducts an audit of those amounts and determines we were undercompensated, we should be made whole for any such underpayment.

W6390 Challenger Drive, Suite 203 • Appleton, WI 54914-9120
Phone: 920-739-5123



Using the applicable calculations for the PSP 2 and PSP 3 awards, we estimate that Air Wisconsin was undercompensated by \$707,477. As such, we recommend revising your Recommendation No. 1, "Review Air Wisconsin's requested amounts for unallowable expenses under PSP2 and PSP3, and seek reimbursement for overpayment, if applicable." to "...and make an adjustment by either seeking further reimbursement relative to an overpayment or disburse additional funds otherwise due under the program, if applicable."

With respect to the highlighted Matter of Concern, you state that you "are not reporting this discrepancy as a finding..." however, in your Results in Brief, you note that Air Wisconsin "provided correct information in five of seven sections reviewed on its PSP1 Application." One of the two sections excluded from your results is "Employment Levels." Although you do not make a specific finding or recommendation related to the discrepancy – which results in only a half percent difference in favor of the Treasury – you treat it in much the same manner as a finding. Importantly, you state, in no uncertain terms that the half percent difference, which is immaterial and based largely on method of calculation, results in a "potential risk that Air Wisconsin could provide inaccurate quarterly reporting information to Treasury," a statement which reads as overly prejudicial.

We recommend that, at the very least, you include a footnote in your Results in Brief that further distinguishes your concern with respect to Employment Levels from Awardable Amounts. For example, you can say that Air Wisconsin "...reported correct information *in all material* respects for *six* of seven sections reviewed in its PSP1 Application," and accompany the change with a note referencing your Matter of Concern with respect to our submission for Employment Levels.

Please let us know if we can be of further assistance in preparation of the final Audit Report.

Sincerely,

Air Wisconsin Airlines LLC

Appendix 3: Treasury Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 27, 2026

Julie Wong
Acting Deputy 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. Wong:

I write regarding the Office of Inspector General's (OIG) draft *Audit of Air Carrier Worker Support Certifications* (Draft Report), regarding Air Wisconsin Airlines LLC (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 Finding and Recommendation

The Draft Report describes the work performed by OIG 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 September 2020 and September 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 awardable amount due to the inclusion of employer-side payroll taxes, unallowable corporate officer compensation, per diem, and data errors. However, OIG also found that, as a result of Treasury's requirement that PSP1 recipients recertify their awardable amounts, Treasury reduced the Recipient's PSP2 award. Therefore, no additional amounts are owed back to Treasury. OIG recommends that Treasury 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 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, appearing to read 'J. Stout', with a long horizontal flourish extending to the right.

Jeffrey Stout

Deputy Chief Program Officer for Small Business
and Community Investment Programs

Appendix 4: Major Contributors to This Report

Olivia Scott, Acting Director
Christopher Culbreath, Acting Audit Manager
Adanech Balcha, Auditor-in-Charge
Yves Laison, Referencer

Appendix 5: Report Distribution

Department of the Treasury

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

Air Wisconsin Airlines LLC

Chief Executive Officer
Executive Vice President of Finance

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
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